

PEOPLES  
U.S. Orchestra, the  
Get a Hand in Paris  
The Los Angeles Philharmonic  
under Andre Previn has  
concentrated on Japan for  
Sunday with a program  
of Aaron Copland's *Appalachian Spring* and works  
by Brahms. The audience  
applauded the orchestra  
for the first of its 12-city  
tour of Japan. Seven  
cities, including New  
York City, will be  
visited. The company  
master in chief said the  
goal set by George Balanchine,  
predecessor of Sondheim,  
Nippon Fire and Marine  
Co. solved the performing  
Bay NK Hall, an audience  
for rock concerts and  
downtown audiences did  
not attend the hall, but those that  
were unusually enthusiastic.

No. 32,843 39/88

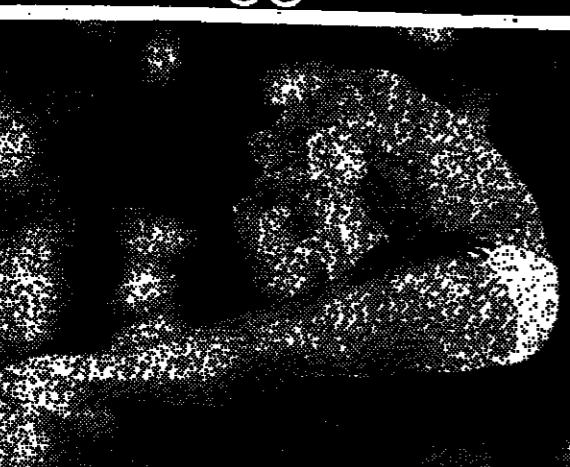
# INTERNATIONAL Herald Tribune

Published With The New York Times and The Washington Post

Algeria ... 6.00 Dr. Iran ... 115 Dr. Oman ... 1,000 Rials  
Australia ... 22 S. Israel ... 1,200 Portuguese ... 145 Esc  
Belarus ... 800 Dr. Italy ... 1,800 Cuban Pesos ... 1,000 Reais  
Belgium ... 50 Fr. Jordan ... 500 Fr. Rep. of Turkey ... 75 P.  
Cyprus ... 1.00 K. Kuwait ... 35 Saudi Arabia ... 7.00 Fr.  
Denmark ... 11.00 Dk. Libya ... 1.00 P. Morocco ... 1.00 P.  
Egypt ... 1.25 P. Luxembourg ... 501 Fr. Switzerland ... 50 SFr.  
Finland ... 6.50 F. Netherlands ... 1.00 Esc. Turkey ... 0.75 Dm.  
France ... 7.50 F. Monaco ... 0.03 Dm. U.A.E. ... 8.00 Dhar  
Greece ... 10.00 Dr. Norway ... 0.00 Nkr. U.S. Mac. (Excl. 100 S.)  
Greece ... 10.00 Dr. Yugoslavia ... 4.75 D.

ESTABLISHED 1887

## OLYMPIC PODIUM



### On His Last Dive, History Was Made

Greg Louganis of the United States gave what was probably the finest performance of his long career Tuesday, overcoming adversity and his hair apparent, 14-year-old Xiong Ni of China, to become the first man to win two diving gold medals in consecutive Olympics.

### And on the Courts, It's Showtime

Steffi Graf of West Germany, Gabriela Sabatini of Argentina, Mammia Maleeva of Bulgaria and Zina Garrison of the United States reached the women's semifinals of the tennis tournament, while Stefan Edberg, the Wimbledon champion, made sure of picking up two medals for Sweden. In women's basketball, the United States easily beat the Soviet Union and Yugoslavia squeaked by Australia to gain the gold medal game.

### There's More Bad News for the U.S.

While more and more Koreans were saying that the United States was losing out to the Soviet Union in what may turn out to be a more important competition, for South Korea's good will, the police in Seoul recommended that a U.S. swimmer be prosecuted for allegedly stealing an ornament from a hotel.

### The Truth Was Never More Obvious

Jody Campbell of the U.S. water polo team, on all the fuss being made of his losing a chunk of bone from his elbow during a vehicle accident: "I was in bad shape, but my friend was worse. He broke his neck."

### Obviously, the Kids in Korea Are Neater

Suk Young Ae, one of the 877 South Korean mothers and housewives who volunteered last December to clean the 12,400 rooms where the athletes and officials stay: "Some bedrooms are very messy."

### Besides, She Gets to Wear a Uniform

Sheila Wager of the United States, on being a woman referee at the wrestling matches in Seoul: "There were no problems. The wrestlers did their job and I did mine."

Olympic report, Pages 21, 22 and 23.

## Johnson Returns From the Olympics in Disgrace

### Sprinter, Stripped of Medal, Is Barred for Life by Canada

Compiled by Our Staff Dispatchers

TORONTO — Ben Johnson arrived home Tuesday in disgrace after being stripped of his Olympic gold medal and his 100-meter world record, barred from international meets for two years and banned for life from competing for Canada.

The sprinter refused to talk about the scandal and the tests that showed he had taken steroid drugs to enhance his performance. Prime Minister Brian Mulroney

Some Olympic athletes welcomed the disqualification as a step toward ending drug use. Page 23.

said Johnson's disqualification was "a moment of great sorrow for all Canadians." The government announced it would investigate the scandal.

Gaetan O'Farrell, the president of the Olympic Association of Bermuda, who traveled from Seoul to New York on the same plane, said Johnson had signed autographs for passengers in the first-class compartment on the Korean Air plane.

But on his flight from New York to Toronto, Johnson took refuge in the cockpit to avoid reporters.

Calling the incident "a national embarrassment," Sports Minister Jean Charest of Canada said that Johnson would be banned from Canada's national team for life. The International Amateur Athletic Federation, the world governing body for track and field, banned him from competition for two years.

"A few days ago, Canada had the opportunity of having a great day of national pride," Mr. Charest said. He said that his government accepted the validity of the tests made by the International Olympic Committee and that the suspension would be effective pending an appeal from Johnson.

The Canadian government also banned him for life from receiving a monthly government payment of \$650 that he had been receiving.

"Johnson knew what the rules were," said Mr. Charest, who acknowledged he had heard several

months ago that Johnson might be using steroids.

"From time to time people would come to me in a private way — and that happened one or two times — and say that maybe Ben Johnson is using steroids or other drugs," Mr. Charest said. He noted that the sprinter was aware he would be tested at the Olympics.

The chairman of the National Committee on Drug Abuse in Amateur Sport, Dr. Andrew Pipe, indicated that coaches and doctors must have known of or aided Johnson's drug use.

"I find it very hard to believe that Ben Johnson woke up one morning and decided, 'Gee, I think Stanozolol twice a day will help my performance,'" said Dr. Pipe, the team physician for the country's Olympic basketball players.

If the coaches and doctors were unaware that Johnson used drugs, then they had inadequately monitored him, Dr. Pipe said.

"I strongly believe there are people other than Ben Johnson who should answer for this," he said.

Johnson had appeared to be in shock before leaving South Korea

See SHAME, Page 5



Charles Wenzelberg/The Associated Press  
Ben Johnson was shielded from the press Tuesday after he arrived in New York from South Korea.

## Soviets Pause in Pullout

### Shevardnadze Cites 'Violations' Of Afghan Pact

By Don Oberdorfer

Washington Post Service  
UNITED NATIONS — The Soviet foreign minister, Eduard A. Shevardnadze, said Tuesday that Soviet troops had paused in their withdrawal from Afghanistan, and he indicated that a resumption of the pullout might depend on a half in the flow of arms to the Afghan resistance.

Speaking to reporters following an otherwise conciliatory appearance at the UN General Assembly, Mr. Shevardnadze said, "We have completed the first stage of our withdrawal. We have not yet begun the second stage."

Asked if the withdrawals would proceed on the internationally agreed schedule calling for the removal of all Soviet forces by next Jan. 15, Mr. Shevardnadze replied, "We will wait and see. There have been violations of the agreements that have taken place."

Mr. Shevardnadze also called on the United States to join Moscow in creating a world space organization, which would use a disputed Siberian radar base as its eye on the heavens. The Associated Press reported from the United Nations.

He said that the United States should join the Soviets in the space agency and donate U.S. radar units in Greenland and Britain.

The United States says the Soviet radar at Krasnoyarsk violates the 1972 Anti-Ballistic Missile Treaty and must be demolished.

Mr. Shevardnadze said in his UN address that as soon as Soviet troops began withdrawing from Afghanistan last spring under the terms of the April 14 Geneva accords, "a nonstop production line of violations was set in motion."

In an exchange of recriminations, the Soviet Foreign Ministry spokesman, Gennadi I. Gerashimov, asserted that Pakistan was violating its noninterference pledge by permitting a continued flow of arms to the Afghan resistance, while Secretary of State George P. Shultz asserted that the Soviet Union or the Soviet-backed Kabul regime were "violating Pakistani airspace."

Replying to Mr. Shevardnadze's call for a UN-sponsored meeting on compliance with the Geneva accords, Mr. Shultz said he expected the subject to be discussed Friday in a luncheon meeting of the foreign ministers of the five permanent members of the Security Council — the United States, the Soviet Union, Britain, France and China.

But Mr. Shultz said that the administration would not be ready to meet Kabul government representatives because the United States did not recognize them as legitimate.

Under the Geneva accords, the Soviets were required to begin withdrawing their forces from Afghanistan on May 15, to withdraw half of them by Aug. 15 and to complete the withdrawal by Feb. 15. The Soviets informally said they planned to complete their pullout by the end of this calendar year.

The United States as well as a UN observer team credited the Soviets with meeting their Aug. 15 deadline for pulling out half their troops. This appears to be what Mr. Shevardnadze referred to as "the first stage."

U.S. officials said Soviet forces seemed recently to have consolidated their positions around several key Afghan cities and along the routes of withdrawal that are likely to be used for the final pullout.

However, little or no Soviet

See UN, Page 4

## Court Says EC Law Goes Beyond Europe

By Barry James

International Herald Tribune  
The European Court, establishing a precedent, ruled Tuesday that European Community law extends beyond the borders of the 12-nation bloc when its trading interests are concerned.

The Luxembourg-based court upheld the legitimacy of fines for price-fixing levied in 1984 against 41 manufacturers of wood pulp in the United States, Finland, Canada and elsewhere, even though most of them had no branches or subsidiaries in the community.

The fines, amounting to 4 million European currency units or \$4.4 million, and ranging from \$34,500 to \$45,000, were imposed by the European Commission, the EC's executive body in Brussels.

The court still has to rule on an appeal against the accusation and the fine by nine U.S. and six Canadian firms. It voided a fine against the Pulp, Paper and Paperboard Export Association of both

print, cardboard boxes and food containers.

The court said such collusion violated article 85 of the EC treaty, which sets antitrust rules.

Whether or not the companies were based in the EC, the court said, the rules applied because "the producers enacted their price agreement inside the Common Market" and thus automatically came under EC law.

See EC, Page 5

## Japan Seeks Smaller Role for Dollar

By Reginald Dale

International Herald Tribune

BERLIN — Japan issued its strongest call yet on Tuesday for a change in the international monetary system that would reduce the weight of the dollar as an international reserve currency.

Under Japan's proposal, which would expand the reserve use of the International Monetary Fund's special drawing rights, the yen and possibly other currencies would "complement the dollar's key role," said Satochi Sumita, governor of the Bank of Japan.

The dollar is currently the leading reserve currency, the term used to describe central banks' holdings of foreign reserves. The SDR was introduced in 1970 as a reserve currency to partly replace national currencies and gold in setting international transactions.

The Japanese initiative, on the opening day of the annual meeting of the IMF and the World Bank, gave fresh impetus to the debate on change in the international monetary system that is expected to gather pace after the new U.S. administration takes office next year.

Nicholas F. Brady, the U.S. Treasury secretary, did not address the issue of monetary reform in a speech on Tuesday that contained no new economic policy proposals.

Conference officials said Washington did not want even to begin the debate until after the U.S. elections in November, a position that is shared by Britain.

France, however, a long-standing advocate of monetary change, said the time had come to tackle the future role of special drawing rights.

"So we use plastic bullets," he said. The new plastic rounds, he added, give soldiers the ability to "hit or injure stone throwers outside the range of stones."

Because they are lightweight, the plastic rounds lose their velocity quickly and are not supposed to be lethal beyond about 70 meters (75 yards).

The death toll for 24 hours was the highest since April, even though the size and intensity of demonstrations in the West Bank and Gaza Strip were far lower than early in the year.

See ISRAEL, Page 19



Charles Tasnadi/The Associated Press  
President Ronald Reagan shaking hands with the Soviet foreign minister, Eduard A. Shevardnadze, as Secretary of State George P. Shultz looked on at the Waldorf-Astoria Hotel in New York.

## Thatcher Praises Policies of Gorbachev

British Leader Also Scoffs at Talk of a United Europe by '93 as 'Nonsense'

By Craig R. Whitney

New York Times Service

LONDON — Prime Minister Margaret Thatcher said Tuesday that it was in the Western interest for Mikhail S. Gorbachev to succeed in his policies of change in the Soviet Union.

The British leader also said she would do her best to see that her relations with the next president of the United States were as good as they had been with Ronald Reagan.

In an hourlong interview with a columnist and a correspondent of The New York Times, Mrs. Thatcher berated some of her fellow European leaders and Brussels bureaucrats for what she called "nonsense" about a united Europe after 1992.

Mrs. Thatcher said that she had not watched the television debate between Governor Michael S. Dukakis, whom she has never met, and Vice President George Bush, whom she knows well.

"I think that what Mr. Gorbachev is doing in the Soviet Union is highly and particularly relevant to Poland," she said.

"It is both extremely bold and prophetic at this time for the Soviet Union to have a leader who comes right to the top and says, 'Look, for 70 years communism hasn't produced the hopes and dreams that we had for it. Those

hopes and dreams crumbled. And we've got to go in the direction of freeing up speech, the discussion, freeing up responsibility."

The Conservative prime minister said that the reason she found Mr. Gorbachev's policies appealing was "the idea that enlarging the liberty and responsibility will give you the greater economic prosperity."

"They were slightly ahead of it in Poland," she said, "because the Solidarity movement was really saying, 'Look, we know this.'

Mrs. Thatcher will meet the head of the banned Solidarity labor union, Lech Wałęsa, in Gdańsk next month. She said that the union was "trying to enlarge the freedom" in Poland and that she thought that, "according to what's been going on recently," maybe it was succeeding.

Speaking of the Soviet Union, Mrs. Thatcher said: "It's a great, massive turnaround, where you have, in fact, been saying to people for 70 years, 'You don't do anything unless you've got permission,' to turn

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## Israel's Plastic Bullets Fatal to 2 Palestinians

By Joel Brinkley

New York Times Service

JERUSALEM — Two Palestinians died Tuesday of gunshot wounds inflicted by Israeli troops, the fifth and sixth deaths in less than 24 hours, and Defense Minister Yitzhak Rabin said demonstrators in the Israeli-occupied territories should expect more of the same.

Part of the reason for the high toll of dead and injured seems to be the army's new policy of using plastic bullets.

At least two of the demonstrators killed in the last 24 hours were shot with plastic rounds, hospital officials said. Palestinian doctors said the Israeli soldiers must have been firing from short range.

The death toll for 24 hours was the highest since April, even though the size and intensity of demonstrations in the West Bank and Gaza Strip were far lower than early in the year.

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See ISRAEL, Page 19

## Mubarak's Peace Broker Role Could Help Ease Debt Crisis

By Alan Cowell

*New York Times Service*

CAIRO — With a European tour that took him on Tuesday to Paris, President Hosni Mubarak of Egypt has cast himself more forcefully than in recent months as a broker and central figure in the stalled quest for peace in the Middle East.

In doing so, some Western diplomats assert, he is primarily seeking to underscore his country's strategic significance and the importance of its domestic stability as a way to win sympathy from Western creditors at a time when Egypt is embroiled in a dispute with the International Monetary Fund.

Egypt is the Arab world's most populous nation, and the only Arab country to have made peace with Israel. The United States provided it with military and economic aid that is second only to that provided to Israel.

Yet, with a fast-growing population of 50 million outstripping cultivable land and a foreign debt of \$44 billion, the nation faces a near-annual economic crisis. To solve it, the International Monetary Fund has suggested measures that some Egyptian politicians say could produce riot and turmoil.

### Israel Radio Says Egypt Has Won Taba Dispute

Reuters

JERUSALEM — Israel has lost a six-year border dispute with Egypt over the Taba beach on the Red Sea, Israel Radio said Tuesday.

A five-member international arbitration panel accepted Egypt's position on the location of the Sinai peninsula border and said the 700-meter (765-yard) beach resort should be returned to Egypt, the radio reported.

The beach is a few kilometers south of the Israeli resort of Eilat at the head of the Red Sea. Israel considers Taba important because it contains an Israeli-built luxury hotel.

Israel held on to Taba after withdrawing from the Sinai in 1982 under the peace treaty it signed with Egypt in 1979.

A decision in Egypt's favor had been expected, and negotiations between Israel and Egypt to reach a last-minute settlement on Taba had failed.

Israeli press reports said Prime Minister Yitzhak Shamir and Foreign Minister Shimon Peres were informed of the panel's decision

Mr. Mubarak said recently that the IMF behaved like a "quack doctor" who prescribed "a huge dose of medicine in one go instead of a daily pill."

"The IMF plan aims at killing the Egyptian citizen and is impossible to implement," he said. The fund insists that Egypt cut its \$2.2 billion budget deficit, raise domestic interest rates and cut subsidies on fuel, electricity and food.

"We want reform," Mr. Mubarak said. "But I tell the IMF that this reform must be in line with our social and economic situation and the standard of living."

The comment reflected fearful memories and harsh statistics: price increases in 1977 produced fierce bread riots that few have forgotten in a nation where more than a third of the people live on or below the poverty line. Prices of many basic commodities are already rising at a rate of around 30 percent.

Egypt's latest agreement with the IMF collapsed last year because of Cairo's inability to carry out the changes prescribed by the fund. Negotiations on a new deal with the fund — vital to underwrite Cairo's effort to reschedule billions of dollars of debts and to secure

new credit — have been tortuous and inconclusive.

When Mr. Mubarak left last week for visits to Yugoslavia, Britain, France and West Germany, his principal aim was to secure Western support for Egypt's case within the IMF. Egyptian officials and Western diplomats said.

"Part of his argument," a Western diplomat said, "is that Egypt is too important strategically, as an anchor of Western policy, to risk the kind of social upheaval that could come from doing what the fund says."

Mr. Mubarak has denied that his visits to European capitals are primarily designed to secure economic assistance. Egyptian newspapers reported Tuesday that he cast his discussions as focusing on the key issues of the Middle East — the issues of the Palestinian-Israeli dispute and the Gulf cease-fire.

Shortly before he left for Europe, Mr. Mubarak met in Cairo with Yasser Arafat, chairman of the Palestine Liberation Organization. And, while he was in London earlier this week, his foreign minister, Essem Abdel Meguid, met in Washington with President Ronald Reagan and the Israeli foreign minister, Shimon Peres.

A senior Palestinian official, who declined to be identified by name, said Mr. Mubarak had insisted that Mr. Arafat come to Cairo before this newest round of Egyptian diplomacy, apparently to enhance Cairo's status as a central figure.

"Egypt does enjoy special capacities as a regional peacemaker," the semiofficial Egyptian Gazette said in an editorial Tuesday. "Egypt maintains the closest working relationship with both Jordan and the PLO, in addition to diplomatic relations with Israel — a factor which makes this country the most qualified to act as a regional catalyst and moderator."

Less than a year ago, Cairo was still officially held as a pariah among Arab nations because of its 1979 peace agreement with Israel. Since an Arab summit meeting in Amman last November, Egypt has been rehabilitated among moderate Arab nations.

The current focus of that still-united influence is the turmoil produced in Palestinian ranks by Jordan's decision on July 31 to sever ties with the Israeli-occupied West Bank. Amman's move forced the PLO to decide how it would fill the resulting political void.

In his talks with the PLO leader, officials said, Mr. Mubarak urged a reconciliation between Mr. Arafat and King Hussein of Jordan, whom the Egyptian leader met in London this week.

Sources quoted by The Jerusalem Post on Tuesday said the award would be unequivocal and would leave room for Israel to retain control over parts of the beach or delay carrying out the arbitrators' decision.

Israeli officials said the government would abide by the decision. The Jerusalem Post said Israel and Egypt had already reached an understanding to prevent Taba from becoming a campaign issue one month before the Israeli general elections.



President Hosni Mubarak of Egypt, left, with President François Mitterrand of France on Tuesday during the Egyptian leader's two-day visit to France. Between them is an interpreter.

### Kuwait, Breaking the Ice With Iran, Will Reopen Its Embassy in Tehran

By Patrick E. Tyler  
*Washington Post Service*

KUWAIT — In one of the first diplomatic openings to Iran since the Gulf cease-fire, Kuwait has sent a three-man team to Tehran to re-establish its embassy there, according to a senior Kuwaiti official.

The move was seen by Western diplomats as an effort by Kuwait to balance its relations between Baghdad and Tehran in the postwar period.

It also reflects Kuwait's independence from other Arab states, like Saudi Arabia, Egypt and Bahrain, which are moving much more cautiously and in concert with Iraq in their dealings with Iran.

Saud Mohammed Usayni, the Kuwaiti minister of state for foreign affairs, said in an interview that despite Iranian missile attacks

on Kuwait and Iranian-inspired sabotage and propaganda assaults, Kuwait's rulers want a speedy return to normal relations.

"We want to forget the past," Mr. Usayni said. "There is no reason to keep the tension going on."

He referred to the thousands of Iranian nationals who lived in Kuwait during the war and the once-strong trade ties.

"We never had a direct problem with Iran," he said, characterizing Iran's aggression against Kuwait as a byproduct of the war with Iraq.

"We have received some Iranian officials after the cease-fire," he said, adding that these envoys made it "very clear" that Iran wanted to normalize relations.

Mr. Usayni also said that he expected a resolution within months of a long-standing border dispute between Iraq and Kuwait. He added that Baghdad is seeking to settle border issues with its Arab neighbors that supported Iraq's war effort, including Jordan, Saudi Arabia and Kuwait.

The Kuwait decision was made a time when other Arab leaders, particularly in Saudi Arabia and Egypt, are coordinating their moves with Iraq, whose government is deadlocked in the peace negotiations with Iran.

According to Arab officials, Iran has asked those Arab governments that did not break relations during the war to re-establish a diplomatic presence in Tehran. Even Saudi Arabia, whose rulers broke relations earlier this year, is being reconciled before a final version can be signed.

The Kuwait minister also described the sheikhdom's relations with the United States as passing through "a golden time" of cooperation on Gulf security issues, highlighted by the policy that allowed Kuwait to put half of its tanker fleet under U.S. naval protection.

#### ■ Sanctions on Iraq Voted

The U.S. House of Representatives on Tuesday approved a bill to impose trade sanctions against Iraq for the alleged use of poison gas against its Kurdish minority, Reuters reported from Washington. The Senate approved a much stronger bill. Differences still must be reconciled before a final version

## WORLD BRIEFS

### Armenians Warned as Strike Persists

MOSCOW (Reuters) — The Armenian authorities have warned workers on strike over the Nagorno-Karabakh regional dispute that they face stiff penalties, loss of pay, longer waits for housing and reduced vacation rights.

The Armenian Communist Party newspaper, Kommunist, which published the warning, also revealed that a military commander had been named in the Nagorno-Karabakh Autonomous Region in Azerbaijan, which has sought since February to become a part of neighboring Armenia. The paper said the labor sanctions applied to all strikers who missed more than three hours of work on a given day.

In Yerevan, the Armenian capital, a spokesman for the official news agency, Armenpress, said Tuesday that industry had not returned to full capacity. The latest strike wave began last week after an Armenian was killed in clashes with Azerbaijanis. "Transport is working, but industry is not yet back 100 percent," the spokesman said.

### Dissidents in Burma Form Alliance

RANGOON, Burma (AP) — U Aung Gyi, a retired army officer who broke with Burma's longest-running authoritarian government and became one of the country's leading dissidents, was appointed Tuesday to be chairman of a newly formed opposition alliance, the League for Democracy. U Tin Oo, a former defense minister, was named vice chairman, and Daw Aung San Suu Kyi, daughter of the independence hero U Aung San, was named general secretary, the league said in a manifesto. The alliance urged workers to continue a general strike until they achieved their goal of democracy. The strike began Sept. 18 when General Saw Mawm seized power.

The government said that 348 people had been killed in Burma since the coup. Western diplomats in Rangoon estimated earlier that as many as 400 people were killed by the government in the days following the coup. A government spokesman said at a press briefing that 219 others had been wounded and 1,107 had been arrested.

### Curbs Put on U.S. Citizens in Beirut

BEIRUT (NYT) — Reflecting tension between the U.S. Embassy and the Christian military cabinet of Major General Michel Aoun, the army command obliged all U.S. citizens, regardless of their position, to inform the army in advance of their movements within Lebanese territory, the general confirmed Tuesday.

The army also obliged all incoming and outgoing U.S. helicopters to use an army base north of Beirut only after receiving prior approval from the Lebanese Air Force Command, the Christian El Deyar newspaper reported. Before the new restriction, American diplomats enjoyed freedom of movement in and out of Lebanon by helicopters landing and taking off from the embassy annex compound in Dar Aoukar, east of Beirut.

According to Arab diplomats in West Beirut, General Aoun was angered that the new U.S. Ambassador, John McCarthy, arrived in Beirut without notifying him. Tension between the two sides surfaced during the past two weeks after a U.S. assistant secretary of state, Richard W. Murphy, endorsed the candidacy of the Syrian-backed deputy, Michael Daker, for the Lebanese presidency after five days of negotiations with Syrian officials in Damascus.

### Chinese Submarine Launches Rocket

BEIJING (Reuters) — China has launched a rocket from a nuclear submarine, Xinhua said Tuesday in a brief report.

The rocket, launched between Sept. 14 and 27, landed in its target area in the East China Sea, the agency said. It did not say how far the rocket traveled.

### Tests Said to Refute Claim for Shroud

ROME (AP) — The scientific advice to the archbishop of Turin said Tuesday that he was told that laboratory tests showed the Shroud of Turin was made in the 14th century and could not be the burial cloth of Christ.

Professor Luigi Gonella said he had not yet seen the official report from the three laboratories that conducted the carbon-14 dating tests, but that all the disclosures to the press indicated that the shroud dated from the 14th century and "somebody let me understand that the rumors were right."

"All the leaks were too exact, too concentrated to be a pure invention," he said in a telephone interview from the archdiocese in Turin.

## TRAVEL UPDATE

AN 17,000 Athens taxi drivers began a three-day strike on Tuesday to protest anti-pollution measures that restrict motor vehicle circulation in the city center. The restrictions ban half the 300,000 cars in the city from a five-square-mile (13-square-kilometer) zone between 7 A.M. and 8 P.M. on weekdays, according to odd and even license plate numbers. (AP)

U.S. airlines will be required to install warning devices in airplane cockpits to help pilots detect and avoid wind shear, the Transportation Department announced. The rule takes effect next week and affects 3,600 planes. Aircraft with fewer than 30 seats are exempted. (WP)

### Correction

An article Saturday mistakenly said that the American art historian John Rewald was deceased. The article also incorrectly named the Zurich dealer in the Old Masters showing at the Paris Biennale; he is Bruno Meissner.

## Japanese Get Set to Debate Their Future

By Patrick L. Smith  
*International Herald Tribune*

TOKYO — As Emperor Hirohito's 63-year reign draws to a close, nationalist leaders are preparing to plunge Japan into a renewed debate on sensitive military, legal and constitutional issues that have been submerged throughout the postwar era.

Whether Japan should revise its postwar constitution, redefine the status of the emperor and claim the right to reassess itself militarily are all questions that nationalist figures, many in influential positions, intend to reopen.

Conservative politicians and intellectuals have asserted repeatedly in recent weeks that the wartime emperor's passing will enable Japan to advance beyond the profound sense of guilt that has colored the national psychology for four decades.

In a series of interviews, prominent nationalists also predicted a new spirit of nationalism among the Japanese that would provide the climate necessary to re-examine a number of long-standing political taboos.

It has been clear since the emperor's condition began to deteriorate sharply last week that Japan has already begun to question how the end of the Showa era, as Hirohito's reign is known, should be interpreted. What remains uncertain is the extent to which nationalist sentiment will color a widely anticipated period of self-examination.

Most social and political analysts view the event as the moment at which Japan can claim to have entered fully into an age of "internationalization," during which it is to assume greater political, diplomatic and security responsibilities in the global order. Officials will reassess this theme for much of the 1980s.

Nationalist figures, notably former Prime Minister Yasuhiro Nakasone, have been instrumental in articulating these goals. But to accomplish them, they assert, Japan must free itself from the constraints under which it has lived since its military defeat.

"Depending on the international environment, we'll be able to review the victor-imposed constitution and to realize a truly independent Japanese nation," said Hisashi Kuroda, an author and former cabinet adviser. "I don't expect change to come immediately, but should Japan be forced to play a role in world events, we'll see a greater urge to revive nationalism."

While most public figures remain silent on such issues, assertive nationalists have embarrassed the government and the ruling Liberal Democratic Party on several occasions in recent years. In May a senior party

official, Seisuke Okuno, was forced to resign his cabinet post after asserting that Japan was not an aggressor during World War II.

One important issue now is the degree of support that nationalist figures such as Mr. Okuno enjoy at high levels of the administration. Addressing this point, Mr. Kuroda contended earlier this week that "everyone who believes in his heart" that Japan had fought a just war.

Indeed, one of the things that antagonizes political and cultural conservatives is the ruling party's long-established practice of bending legal and constitutional constraints without subjecting the underlying issues to open debate.

While Japan is now expanding its military capabilities at one of the fastest rates of any advanced nation, for instance, it continues to function under a constitution that prohibits all

military activity not defined as self-defense. Similarly, the constitutional distinction drawn between the emperor's role as symbol of the nation and head of the Shinto religion has frequently been blurred in the courts and elsewhere, but changing has rarely been discussed.

Most local political analysts have long dismissed constitutional revision as "a ritual issue," as one said recently. Nonetheless, Japanese conservatives now plan to revive it for the first time in several years, chiefly because sensitivities to the document's U.S. origin are increasing along with the nation's self-confidence and with evolving perceptions of U.S. power in the Pacific.

"These constitutional matters were not determined by the Japanese people, but by the Americans," Mr. Okuno said. "I don't foresee great disturbances, but we have an opportunity to reevaluate the past and unify what we think is wrong with it."

Under normal circumstances, the nationalist movement is most circumstances manifested by the sound trucks and passenger vans that regularly cruise Tokyo streets. It is widely understood that factions of the ruling party finance these groups, in part to keep them at bay and in part to keep their message before the public.

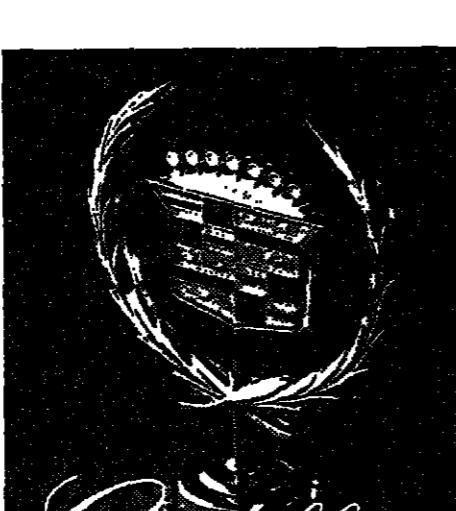
Reflecting the sensitivity of the moment, the sound trucks have largely disappeared since the emperor's health worsened. At the same time, political commentators and liberal groups are growing increasingly concerned about the potential for an outbreak of rightist violence once Hirohito passes away.

Beyond the political issues, the nationalists fear that the nation's sense of uniqueness is fast eroding as internationalization gains momentum.

"The modern world is stuck in the rut of materialism," said Toshiro Miyazumi, leader of several ultraconservative groups. "Japan is also modern, but too many people here are looking forward without looking back at the same time."

#### ■ Emperor's Condition

Police officials said Tuesday that physicians had failed to contain Hirohito's internal bleeding. The Associated Press reported from Tokyo. The government also said it had summoned his grandson home from Britain. Kenji Maeda, head of general affairs for the Imperial Palace, quoted the chief palace physician, Dr. Akira Takagi, as having said: "The emperor's condition is stable, but it's not improving either. It's an extremely difficult situation."



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## New Polish Leader Says He Hopes for Coalition

By Jackson Diehl  
*Washington Post Service*

WARSAW — The new prime minister, Mieczyslaw Rakowski, told parliament Tuesday that he hoped to form a "coalition" government that included figures from outside the Communist-controlled establishment in an effort to bolster public confidence in the authorities.

In a terse address to the parliament, or Sejm, after it had voted him into Poland's highest nonparty post, Mr. Rakowski said that broadening the political base of the government, which had been battered by a downspiring economy and two waves of strikes, would be his "primary task."

Mr. Rakowski, 61, whose career has been deeply marked by conflicts with the Solidarity independent trade union, said he would spend the next two weeks consulting with "various milieux" in an effort to draw up a consensus government and a cabinet.

The government spokesman, Jerzy Urban, said candidates for the cabinet could include activists of the Roman Catholic church or "moderate" opposition.

Officials portrayed Mr. Rakowski's initiative as the prospective

first step toward forming the "alliance for reforms" that the Communist Party leader, Wojciech Jaruzelski, is seeking through broad negotiations with the Solidarity-based opposition.

A "roundtable" of talks involving Solidarity, the party, and other social groups is set to begin in the middle of next month.

Opposition and church activists said Tuesday that it was unlikely that important independent politicians would join Mr. Rakowski's government in the coming days. Both Solidarity and the church's leading lay activists have made such cooperation conditional on the party's agreeing to relegalize Solidarity, a step party leaders have so far rejected.

Mr. Urban said, however, that the formation of the government would be "a process rather than a one-time agreement," and that opposition activists could be brought into the cabinet later, after an eventual agreement at the roundtable.

He added that Mr. Rakowski's administration could be expected to last only until new elections to the parliament were held in a year, at which time a new government would be mandated.

The ruling Communist Polish United Workers' Party has always nominally governed the country in coalition with two other smaller parties, the United Peasants' Party and the Democratic Party. However, Mr. Rakowski's initiative would be the first time since the 1940s that independent figures not subject to Communist control were included in a government.

Mr. Rakowski and General Jaruzelski both acknowledged in televised speeches that the new adminis-

tration faced an uphill battle in winning support.

"The situation of the country re-



Geney Schokowski/The Associated Press  
Mieczyslaw Rakowski addressing the Sejm on Tuesday after being named to form a broad-based government to carry out changes.

stration faced an uphill battle in winning support.

"The situation of the country requires that a hero take over the head of the country as an act of providence," Mr. Rakowski said to the Sejm. "I am not that person. But I promise to endeavor with steadfastness and determination to implement without delay and hesitation the political and economic reforms."

The brief and charged message came amid indications of continuing divisions within the Polish party over how to proceed in upcoming negotiations with Solidarity.

After a lengthy meeting Monday by the party's Central Committee, the state media on Tuesday carried no details of the discussions.

A brief communiqué reported no resolutions by the plenum, but only an instruction that the Politburo "analyze in detail the opinions and suggestions expressed at the plenum and incorporate them into party work."

Political observers in Warsaw said the statement suggested that no consensus had been reached on the upcoming roundtable talks or on preparations for a new program to stabilize the economy.

## UN: Shevardnadze Says Soviets Pause in Withdrawal From Afghanistan

(Continued from Page 1)

Mr. Shevardnadze said in his UN speech that he was "not complaining to anyone" about the situation in Afghanistan. "We have the means to make things fall into place," he said. "But we are responsible to the United Nations and therefore we are appealing to it."

Mr. Gerasimov declined to explain what Mr. Shevardnadze meant by "the means to make things fall into place."

Aside from the dispute about Af-

ghanistan, the annual UN address was notable for a large number of proposals for coordinated action against international military, political and environmental problems.

### ■ Initiative on UN

Mr. Shevardnadze also announced a Soviet diplomatic initiative, which he said would make the United Nations a "unique global center for ensuring universal and

## Paris Seeks Wider Curb on Gas Warfare

By Joseph Fitchett  
*International Herald Tribune*

PARIS — President François Mitterrand will propose international steps to reduce the growing threat of chemical and biological warfare, French officials said Tuesday.

The centerpiece of Mr. Mitterrand's initiatives, to be made in a speech Thursday at the United Nations, is expected to be an offer to organize an international conference to reinvigorate the 1925 Geneva Protocol on Gas Warfare.

The United States consulted closely with France and other allies, as well as with the Soviet Union, before President Ronald Reagan called Monday for a conference to revitalise the Geneva convention.

Such a conference, aimed at intensifying world condemnation of chemical warfare, would not replace the 40-nation disarmament talks in Geneva, but would be aimed at dramatizing the recent resurgence of chemical warfare, diplomats said.

The current chemical disarmament talks in Geneva are seeking to eliminate chemical weapons, a goal that goes beyond the 1925 Geneva accord's ban on their use in war.

But the Geneva negotiations, which started out mainly as East-West talks, have bogged down as they have expanded to cover Third World countries and as verification difficulties have begun to appear insurmountable.

The issue has recently taken on fresh urgency because of Iraq's use of chemical weapons against Iran in the Gulf War, which demonstrated the speed and ease with which Third World countries are acquiring tactical ballistic missiles that can carry a chemical or bacteriological warhead.

The new French initiative on gas and germ warfare, an aide said, fits into a new emphasis under Mr. Mitterrand on pursuing effective disarmament, a theme that he plans to develop in his UN speech.

The president, aides said, is convinced that allied governments need to offer clear, appealing arms-control proposals, on chemical warfare as well as in other military fields, in order to reassure the Western public and prevent Soviet propaganda victories.

Since France is the repository

government of the Geneva Protocol of 1925, it would have a special role in playing host to a conference to revitalise the accord and possibly expand it to cover more than the 112 countries, including Iraq, that are signatories.

To signal that Western governments are not abandoning efforts to obtain a treat in the new ambitious Geneva talks, Mr. Mitterrand is to quote in his UN speech to put forward a more flexible French position.

Officials predicted that he would

use the speech to modify or perhaps abandon French demands that nations be allowed to build chemical weapons during the 10 years it would take the Soviet Union to destroy its chemical arsenal if a ban were signed.

French negotiators present such "security stocks" of chemical arms as a way to maintain deterrence during a transition period to effective disarmament.

But critics contend that this approach, in practice, would heighten the risk of proliferation.

## Spread of Missiles to Third World Discussed by Americans and Soviets

By Michael R. Gordon  
*New York Times Service*

WASHINGTON — U.S. and Soviet officials have held their first in-depth discussions of ways to curb the spread of ballistic missiles to the Third World.

The spread of ballistic missiles has been a growing concern for the United States, which concluded an agreement with other Western nations in 1987 to restrict the export of items needed to build ballistic missiles with a range of more than 300 kilometers (about 185 miles).

The talks Monday represented the first effort to explore cooperative efforts between Washington and Moscow.

"We identified some common ground, especially regarding the seriousness of the problem, and agreed to meet again," said H. Alfred Holmes, the director of the State Department's Bureau of Political-Military Affairs, who led the American team.

The Soviet team was led by Viktor Karpov, a senior Soviet arms control official.

Administration officials said that the talks, which were agreed to at the Moscow summit meeting in June, were preliminary.

During the discussion Monday, U.S. American officials surveyed ballistic missile programs of concern around the world and explained the Western approach to export regulations.

Last year, the Soviets were unable to win a majority of votes in the General Assembly when they introduced their plan as a resolution.

Of more concern, U.S. officials say, are efforts by Third World nations like Argentina, Brazil and Egypt to develop their own ballistic missiles with technical assistance from West European firms.

In addition, the United States has been deeply disturbed by China's decision to ship medium-range ballistic missiles to Saudi Arabia.

China's plans for marketing a new family of ballistic missiles — such as the M-9, which is under development — are not clear. China has not agreed with a U.S. suggestion for direct talks, and American officials are waiting to see if China has abandoned plans to sell ballistic missiles to the Middle East, as the Chinese have implied in some conversations with American officials.

Nonetheless, administration officials said there were several ways

in which the United States and the Soviet Union might eventually make common cause on the issue.

The Soviet Union might agree to join the 1987 agreement restricting the export of technology at some point, officials said.

The 1987 agreement is intended to block the export of technology for ballistic missiles that can carry nuclear weapons. Exporters are allowed to sell sophisticated technology if they determine that it is for peaceful space programs.

American officials also said the Soviet Union might seek to use its influence with Middle Eastern nations, like Syria and Iraq, to dissuade them from buying or developing ballistic missiles.

Some American specialists say the Soviet Union should try to persuade North Korea to stop exporting ballistic missiles.

## Congress, Pressed by White House, Drops Ban on Missile Sale to Kuwait

By Michael R. Gordon  
*New York Times Service*

WASHINGTON — After intense lobbying by the Reagan administration, a joint congressional committee has dropped a ban on the sale of Maverick air-to-surface missiles to Kuwait.

The Senate approved the ban, 75 to 15, in July as an amendment to a foreign operations money bill proposed by Senator Dennis DeConcini, Democrat of Arizona.

The administration said the amendment jeopardized a \$1.9 billion military sale to Kuwait that also included 40 F-18 jets and other missiles.

The House version of the bill did not contain the ban, and a conference committee of the two chambers voted on Monday to remove the amendment. The amendment had been the last remaining issue of disagreement in the measure.

Under the accord, Kuwait is to receive 300 Maverick G missiles, which can be used primarily against large targets such as ships.

The administration said the missile sale to Kuwait that also not previously been sold abroad.

## Britain Is to Sell Arms to Malaysia

Reuters

LONDON — Britain and Malaysia signed a preliminary agreement Tuesday for Malaysia to place a large arms order in Britain and for the two nations to cooperate on defense matters, the British Defense Ministry said.

British press reports said the potential deal would be worth more than £1.5 billion (\$2.5 billion). They said it would include advanced fighter planes and anti-aircraft missiles and would make Britain the major arms supplier of Malaysia.

The press said the package Britain would sell to its former colony included Tornado warplanes and Rapier air defense missiles from British Aerospace, a communications package from Britain's General Electric Co., missile launchers from Short Brothers and howitzers from VSEL Consortium.

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use the speech to make a hope abandonment French that nations be allowed to chemical weapons during years it would be destined to destroy its chemical and a ban were signed. French negotiators present "security stock" of chemical weapons during a transition period of time. But critics contend that the growth in practice, would be the risk of proliferation.

3rd World and Soviets

in which the United States of Soviet Union might end the Cuban missile crisis on the Soviet Union might join the 1987 agreement to the export of technology, officials said.

The 1987 agreement is to block the export of technology for ballistic missiles that can be used to sell sophisticated weapons if they determine that a powerful space program. American officials also believe Soviet Union might seek influence with Middle Eastern nations, like Syria and Iraq, to make them from buying or testing ballistic missiles.

Some American experts believe Soviet Union should be made North Korea to stop ballistic missiles.

By White House  
Sale to Kuwait

closed 40 F-15 jets on

The House version of the bill did not contain the ban and since committee of the bill was voted on Monday the amendment. The amendment had been the last remaining disagreement in the Senate.

Under the accord, Kuwait will receive \$300 million, which can be used to pay against large debts it has previously been unable to pay.

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# Lifestyle From the 'Dead'

By Sarah Lyall  
New York Times  
NEW YORK — Since the Grateful Dead has been more than 20 years, perhaps hardly group of followers

And for the last 10 days, followers, who wear their hats and their shirts to cover their longings around Madison Square Station. The core group of whom said the Dead were a Deadhead before they

pleased.

Who are these people, these brain-bound weirdos, from a swarm of Gladys' right out of off and kill her.

The Deadheads thought the

shivers looked terrible to the

deadheadly colored tops

that were more hot than

they had come to Madison

Garden to see a semi-

rock band that, for a

continuation of the 1960s, com-

ing from drugs, a general

material processions and a

host of authority.

People of older genera-

tion are difficult to comprehend

of the Dead, who are

famous for hollering like

impromptu instrumentals,

whose leader, guitarists Jerry

is now a round man with a beard gone gray.

But for the Deadheads,

who have spent year follow-

ing the Dead to more than

stock group.

"It's a lifestyle," said one

of the Deadheads.

"The music and the

spirit appeal to a certain

person — socially and

spiritually — who doesn't want to be part

of the material waste of

the planet."

Longtime fans and

newsmen as well as

true Deadheads

"This year it's becoming

to be a Deadhead," said

Stephen P. O'Neill, a

public accountant in New

Jersey, referring to the

deadly real art as Dead-

heads.

"I don't go in there with

anywhere," he said, "but

when you see them you

can't help but feel

you're part of it."

## 'Sugar Babies' An Overdose

By Sheridan Morley  
International Herald Tribune

LONDON — When I first saw "Sugar Babies" on Broadway almost a decade ago I was distinctly underwhelmed, and seeing it again in a London premiere at the Savoy I remembered why. The idea that the burlesque it celebrates and embodies was "real theater" is terrifying enough, but what is so awful about the evening is the nauseating

sentimentality with which it plunders a showbiz tradition that ought to have been allowed to die a natural death circa 1930.

Unlike vaudeville or revue or music-hall, or any of its more interesting and honorable cousins, burlesque relied on all that was lazy and prejudiced in an audience. It traded on appealing sketches, unmemorable songs, a kind of nudging male-dominated sexuality, and a belief that a bit of slapstick and a few old gags would make up for a total lack of theatrical invention. Burlesque was the popcorn of American entertainment, ultimately sickening if taken in doses as heavy as "Sugar Babies."

The show also trades on movie nostalgia of its stars. True, Ann Miller has "Buster Parade" and "On the Town" and "Kiss Me, Kate" to her celluloid credit, but in the legend stakes she falls some way short of Ginger Rogers or even Cyd Charisse, while Mickey Rooney, once a fascinating Puck for Max Reinhardt, is unlikely as a song-and-dance man to threaten the memory of Fred Astaire, Gene Kelly or Jack Buchanan.

What is so terrible about "Sugar Babies" is its assumption that mind-bendingly awful routines acquire fascination through age. Admittedly these are not helped at the Savoy by a supporting cast apparently assembled to be the least possible threat to the stars. Miller's announcement that she feels a song coming on is more of a threat than a promise, and when you have seen her tap those relentless toes a hundred times, you are faced only with the ghastly prospect that she is going to do it for another hundred. Meanwhile Rooney's stage technique must be the most unevenful since people used to hypnotize each other in front of paying customers.

Apart from a breathtakingly kinky striptease (with flying doves (though not by Miller), the only thing to be said in favor of "Sugar Babies" is that just before it

reaches an all too welcome finale there is a specialty act by a superbly downbeat and defeatist juggler named Michael Davis, who is alone worth the price of admission.

Out at the Watermill in New-

bury, and hoping to make its way to the West End, Tim Howe's "Painting Churches" is a curious little three-cornered conversation piece that ran languidly off-Broadway but might in Britain be more at home in the middle of a radio afternoon than on a stage. In New York, Howe seems to be regarded as Chekhovian, perhaps because in this case at least she is concerned with a vanishing breed of Bostonian poets and painters being overtaken by the harsher economic and relative values of a world in which Pulitzer prizes cannot be cashed in to pay for places in old people's homes.

You have only to compare the accessibility and touching way that A.R. Gurney dramatizes the same old WASP territory to realize that Howe is less of a playwright than a portrait-sketcher. Donald Moffat from the original production turns in a crusty eccentric impression of the old poet who was once up there with Frost and Pound, but Dilys Hamlett as his long-suffering wife and Paula Wilcox as the daughter desperate for their admiration and her own emancipation, are a lot less happy with the accents or the atmosphere of this ramble around the old family skeletons up on Beacon Hill.

At the King's Head in Islington, Martin Sherman's "When She Danced" is a darkly hilarious account of the chaos of Isadora Duncan's marriage to a suicidal and alcoholic Russian poet with whom she shared an active sex life but no word of any common language. Way past her prime, desperately fund-raising in Paris, still determined to found the dancing academy to ensure her immortality, Isadora is, in Sheila Gish's superbly over-the-top portrayal, a heroine worthy of Tennessee Williams.

There is an equally mesmeric performance from Angela Pleasance as the mousy and repressed interpreter, brought in to make some linguistic sense of the household shambles but progressively reduced to silence by the impossibility of translating either Isadora or her equally hysterical consort into any known language. Sherman's script and Tim Luscombe's agile production on that tiny pub-theatre stage brilliantly capture Isadora in a sustained midlife crisis.



Harry Rader  
Ernie Scott at piano and Avery Brooks as Paul Robeson.

## ARTS / LEISURE

### 'Paul Robeson' Is Resurrected

By Michael Kauffman  
New York Times Service

NEW YORK — When Phillip Hayes Dean's play, "Paul Robeson" first opened on Broadway 10 years ago, it captivated under an attack of black intellectuals who issued an open letter charging the play with trivializing its subject, the prodigiously talented singer, actor, athlete and social crusader.

This week the play is returning to Broadway without a murmur of dissent.

"The entire experience has involved great pain and yes, now, there is some vindication," said the black author, who added that his career went into a decade-long eclipse after he was accused of distorting and misrepresenting the character of Robeson.

"I never did understand what the attackers were upset about. It was all murky and full of intuendo."

"Once in the heat of the argument back then I referred to those who signed the open letter as the House Un-black Activities Committee, trying to draw a parallel between what they were doing to the play and the kind of treatment that Robeson himself had received from the Congressional Committee on Un-American Activities."

"What I remember most was that I was writing the play about a man I admired and my mother was then dying and I was being attacked by well-known and highly respected black people for something that no one could quite pin down. They seemed to feel that my characterization of Robeson did not conform to their vision of the man."

"Well, obviously my vision was not the only one and I never said it was or that it should be."

Actually, the open letter, which was submitted

as an ad to Variety in 1978, before the play opened, declared:

"We, the undersigned members of the black community, having seen the production or read versions in progress, regrettably feel compelled to take the extraordinary step of alerting all concerned citizens to what we believe to be, however, unintended, a pernicious perversion of the essence of Paul Robeson."

There were 36 signers among them, Alvin Ailey, Maya Angelou, Coretta Scott King, Julian Bond, the late James Baldwin and Paul Robeson Jr.

Some of the signers noted in interviews that the show business aspects of Robeson's life were played up while his role as a political dissident and activist was played down.

During one public debate at the time, Baldwin said that in Dean's play Robeson, who was then played by James Earl Jones, was portrayed as a "chocolate John Wayne."

Later, when Carl Stokes, the black newspaper and former mayor of Cleveland did a critical program on the open letter, he reported that some signers admitted they had neither seen nor read the play but offered their names in solidarity with those who asked for them.

Though the signers did not call for a boycott, pickets turned out at the theater where the play originally opened.

In reaction, 33 prominent playwrights, including Arthur Miller, Edward Albee, and Ed Bullins, the black dramatist, issued their own statement depicting attempts "to influence critics and audiences against a play."

Today, Paul Robeson Jr., who some other signatories claim was the moving spirit behind the initial protest, still objects to the play but not so vociferously and he thinks the produc-

tion that is opening at the Golden theater is far superior to the one that spurred his indignation 10 years ago.

"I still think that in its lines the play was about somebody else, not my father," he said.

"But I also feel that Avery Brooks, who plays my father in this performance, has gone beyond the lines to communicate a convincing portrayal."

"I have seen this production and I congratulated the actor and the director on this production, though I repeat, I still feel the character as written is a counterfeit."

The younger Robeson says that the language of the Variety ad reflected the temper of the times "as any political statement would," but he said he saw no reason to apologize for it.

"Does not a family or a people have the right to protect or challenge the representation of a person they knew well?"

Dean, the playwright, finds much of such reasoning and much of what has befallen his play to be mystifying reflections of shifting zeitgeist.

"Not a line in the play has changed," he said.

"It is the same now as it was then, but now it is attracting good reviews and large audiences of blacks and whites."

He said he is gratified that the play has attracted young people some of whom he said

"lamentably never heard of the man."

After a period that he described as one of pain and fury, Dean's faith in the play was rewarded when in 1983 Harold Scott, the director, staged "Paul Robeson" at the Crossroads Theater in New Brunswick, New Jersey, with Brooks in the title role.

Both he and Brooks were teaching at Rutgers, Robeson's old school.

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# INTERNATIONAL HERALD TRIBUNE

Published With The New York Times and The Washington Post

## Reagan, Internationalist

President Reagan was in a mellow mood at the United Nations on Monday, offering not merely a review of his policy but also a paean to prayer. The political part of his message, nonetheless, was one he had earned the right to read. As much as any single person, he "saved" the United Nations: saved it from being given over to misuse and irrelevance by superpower rivalry, Third World self-indulgence and its own bureaucratic corruption. If the United Nations is now coming into something of a golden age, it is first of all because of changes demanded by one who was earlier put down as a crude "unilateralist" altogether out of sympathy with the organization's internationalist creed.

Mr. Reagan opened his assault in the early 1980s by quitting a UN agency (UNESCO) that had gone politically sour, killing a global treaty that was the world body's pride (Law of the Sea), withholding crucial American dues and in general treating the organization as a forum not for accommodating differences but for pressuring U.S. political battles against all comers. He was rough, but in time he got the members' attention, and some results started to come in. UNESCO is being rehabilitated, for instance; the old characteristic anti-

Americanism is less evident in General Assembly deliberations, and internal reforms are bringing back American money.

Meanwhile, the Soviet Union was deciding to ease some of the regional disputes whose political effects had nullified UN diplomacy and embittered UN dialogue. The shrewd and patient secretary-general, Javier Pérez de Cuellar, was ready to leap at the opportunity that Soviet-American cooperation began to offer. More than ever in its history, the world body is now doing the sort of peacemaking and peacekeeping that constituted its founders' driving dream. But as Mr. Reagan observed on Monday, there is an exception: He called on Moscow to cut a flow that has brought "billions" in arms to Nicaragua so that peace and freedom can start taking root there, too.

The United Nations is not a soft-starting "force" for peace or anything else. It is in the first instance a political forum in which the great powers compete or cooperate, as they choose, in the Third World. Their readiness in the last few years to experiment in the ways of cooperation has revived the United Nations. Mr. Reagan deserves his share of the credit for demonstrating that his brand of tough-minded internationalism works.

—THE WASHINGTON POST.

## Bankers in Berlin

Even more than most, this year's financial meetings under way in West Berlin are devoted to discussions rather than decisions. It is the end of the Reagan era. The Americans, who are crucial to these meetings, are immobilized by the election campaign. Beyond that, there is a pervasive sense that the ideas of the past 7½ years cannot be extended much longer.

They have produced very substantial prosperity in the United States and throughout the other industrial democracies. The huge Reagan deficits have supported a steady recovery from the 1982 recession not only in the United States but in Western Europe, Canada and much of Asia. The trade surpluses of those countries are a measure of the extraordinary extent to which the debt-fed U.S. consumer boom has helped all the other rich countries grow. But the debt of the United States has continued far too long, and it is not only the Americans who are now looking hard for a way to get the international accounts back into balance.

Similarly, the world's strategy for dealing with Latin America's debts seems to be changing. A consensus is forming around a wider application of the techniques of debt reduction — not write-offs imposed by governments, but write-downs voluntarily negotiated between indebted countries and the commercial banks that are their creditors.

—THE WASHINGTON POST.

The banks have developed useful precedents in the swaps of their loans for equity in enterprises in the indebted countries.

The occasion for the gathering in West Berlin is the annual joint meeting of the World Bank and the International Monetary Fund. Those two institutions are now the principal conduits of economic aid from the rich countries to the poor ones, and essential to the financial diplomacy of both.

If you worry about the erosion of American influence and leadership in the world's economy, it is also a place where you can see some evidence of that. The United States continues to be the most powerful of the countries there, and indispensable to any kind of international cooperation, but the growing American debts are slowly diminishing its ability to act forcefully.

In the World Bank, you can see U.S. states defining for a much sadder reason. The bank has voted to increase its capital, and all the major members but the United States have agreed, but the U.S. contribution is stuck in Congress. It is blocked by the usual alliance of right and left, the people who think that the bank does too much and those who complain that it does too little. If that does not change soon, U.S. voting power in the bank will drop sharply — self-inflicted damage to America's ability to lead.

—THE WASHINGTON POST.

## Aim Higher Next Time

Ideally, one purpose of presidential debates is to give voters a sense of how the candidates handle themselves in an atmosphere approaching spontaneity. Yet few aspects of modern politics are unrehearsed, and the first confrontation between Vice President George Bush and Governor Michael Dukakis was no exception.

Despite some flashes of irritation Sunday on both sides, there was a staged quality to the affair. The art form has become domesticated. Better debates than those on Monday — a position he retreated from on Monday — it was useful to see these views summarized in one place instead of piecemeal on the evening news. But the differences were known beforehand.

Coached to the tonsils, the two men returned unerringly to familiar ground. Mr. Dukakis emphasized "leadership" and his concern for the poor and the middle class. Mr. Bush advertised his experience in foreign affairs and a philosophy more "mainstream" than Mr. Dukakis's "progressive liberalism." Dukakis forces quickly claimed victory. The Democrat's answers were certainly more pointed, and Mr. Bush often found himself on the defensive.

Set against Mr. Dukakis's relentless self-assurance, however, his occasional gaffes and particularly abortion, Mr. Bush suggested criminal penalties for women who undergo abortion — a position he retreated from on Monday. And it was useful to see these views summarized in one place instead of piecemeal on the evening news. But the differences were known beforehand.

Surprisingly, both men blew chances to

attack demons that have dogged them from the beginning. Peter Jennings, a panelist, reminded Mr. Dukakis that he is seen as "passionate, technocratic, the smartest clerk in the world," inviting him to display a little passion. The governor's response was to provide a passionless laundry list of subjects he cares about "deeply" about.

A major task for Mr. Bush is to clarify his role in the Iran-contra arms-for-hostages deal. Mr. Dukakis recalled that the vice president headed a task force which argued strongly against making concessions to terrorists, yet he sat silently while the plan to sell arms to Iran proceeded. Mr. Bush said that yes, "I wrote the anti-terrorist report," and yes, "We shouldn't have traded arms for hostages." But at just the point where he might profitably have confronted the contradictions, he wobbled off into a discussion of the American attack on the Libyan强人 Muammar Gadhafi. In fact, his reply made no sense.

Sunday's exercise was surely better than no debate at all. The moderator and the panelists were commendably pointed. Arguably, their sharp questions triggered at least occasional spontaneity. But it is likely that the candidates would provoke even more spontaneity by asking each other questions, with only a skilled moderator and with more time for individual responses.

What is it, Mr. Bush, that makes "liberals" so downright dangerous?

Beyond laundry lists, that is it, Mr. Dukakis, that you genuinely care about, and why?

It may be too much to hope for sharp Socratic dialogue in modern televised debates, but it's worth aiming higher.

—THE NEW YORK TIMES.

## Other Comment

### Out of the Lebanese Morass

Lebanon, believe it or not, was once the envy of the Arab world. Today, no one knows what the reality is. A census has not been taken for decades, mainly because the Christians fear they are now so outnumbered that they would lose much of their influence.

There are two ways out of this Middle Eastern morass. One way is for the Lebanese and outside powers to reach a compromise that allows a single national government to form. The other way is to conclude, with a sigh and a shrug, that dividing the country into separate cantons is inevitable.

But at least one last try at national reconciliation is warranted. The key is the formula for deciding the shape of a government.

Originally, it more or less faithfully represented the demographic realities between Christian and Moslem. Today, no one knows what the reality is. A census has not been taken for decades, mainly because the Christians fear they are now so outnumbered that they would lose much of their influence.

Those fears could be overcome if a look at the demographic facts led to a revised political formula with guarantees for Christians as well as greater recognition for Moslems. The Lebanese communities and outside powers would probably find any number of complications and objections. But, by resorting to compromise, what more could Lebanon lose?

—The Age (Melbourne).

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# Banking and Finance in the Arab World

Moves to end the Iran-Iraq war have come as a welcome boost to the Arab banking and financial world. The focus is now on new opportunities for business in the region.

## Latest Figures Signal Start Of New Banking Era

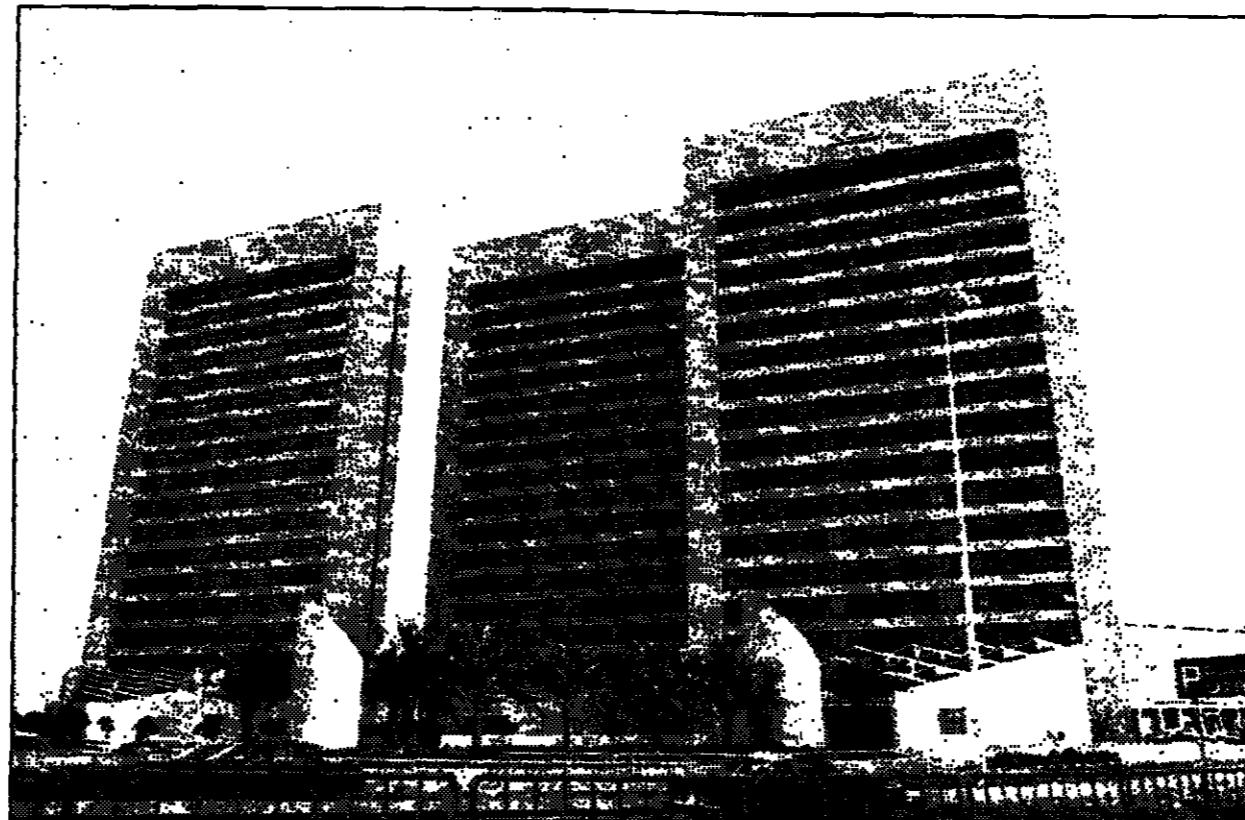
THE dramatic moves to end the eight-year-old Iran-Iraq war have come as a welcome boost to the Arab world's financial sector. The end to hostilities is seen as an indication of the much improved environment that now exists for business in the region.

According to International Monetary Fund figures, exports from the Middle East to the rest of the world increased last year for the first time in six years. The 15 percent increase in exports, accompanied by a 7 percent rise in imports, resulted in a small trade surplus of \$300 million. While modest compared with the Middle East's peak surplus of \$78.2 billion in 1981, the result represents a major recovery from the \$6 billion deficit, the first in the decade, recorded in 1986.

Figures from the Bank for International Settlements in Basle also confirm a more optimistic outlook. Led by Saudi Arabia, the assets of 13 OPEC countries held by international commercial banks increased \$8.4 billion in the last quarter of 1987, representing the largest increase since 1980 — at a time of decline in the level of international banking activity.

Recent banking results from the Middle East have confirmed an upward trend. The Jordan-based Arab Bank group, one of the largest privately owned Arab banks, made an \$82 million profit in 1987, an increase of 7.7 percent from 1986. It also saw a 7 percent rise in its balance sheet total, to \$15.4 billion.

Figures from Gulf institutions also reflect improved trading conditions, with increases in net profits shown as well as significantly reduced provisioning against bad debts. The improvement in performance has been achieved



The joint banking center, Kuwait.

against a tempestuous background of reduced oil revenues and recession, an eroded dollar and sometimes daunting debt problems.

In spite of its problems, the region's banking sector has emerged from the storm, certainly not unscathed, but still vibrant and with enhanced strength.

Future prospects have also been brightened by government commitments to provide more effective control over lending practices and the operation of capital markets.

The recession has made both banks and bankers in the region sharper and more professional, thus leading to a confident approach in the more regulatory international arena of the 1990s. A Group of Ten central banks agree-

ment earlier this year has, for example, created minimum capital requirements for banks operating in international markets, which will have particular ramifications for Middle East institutions in requiring openness in balance sheet information.

According to Abdullah Saudi, president and chief executive of the Bahrain-based Arab Banking Corporation (ABC), the changed economic climate in the second half of the 1980s has "opened up a new window of opportunity for those Arab banks which have managed to retain the respect of the international financial community."

"The international community should judge the region by its assets in the ground. I believe in cycles, and by 1993

we will see the oil price going up. I am full of confidence about the availability of funds."

Many believe that, following the cease-fire in the Gulf, substantial finance will be attracted back to the Middle East. There is widespread belief that Arab institutions should be involved in rebuilding the war-damaged economies of both combatants. However, reports that the region's banks are drafting a \$50 billion finance plan to repair the economies are as yet unsubstantiated.

National Bank of Kuwait Chairman Mohammad Abdul-Mohsin Al-Kharafi comments: "The postwar period in the Gulf will provide NBK and other Gulf banks with major new challenges and opportunities, particularly in servicing the anticipated expansion of commerce, construction and transport that should accompany the reconstruction phase in Iran and Iraq."

The latest technology is assisting Middle East banks to develop all aspects of their operations. Arab Bank is spending about 8 percent of its total operating expenses on data processing and telecommunications equipment. Kuwait's Gulf Bank is to launch a second phase of its home banking service. This allows customers to access their own accounts by personal computer to check information and issue instructions. The bank has also introduced a service allowing customers to receive account information by telephone from a talking computer.

NBK recently introduced a computerized cash transfer system which permits corporate clients to send electronic instructions direct to its New York branch. British Bank of the Middle East, which was the first to introduce automated teller machines to the region, will become the first Gulf bank to link its ATMs across more than one state when it issues its own proprietary card in Bahrain, the United Arab Emirates, Saudi Arabia, Qatar and Oman in the coming months.

The welcoming embrace given to the very latest in modern technology by Arab banks is symptomatic of a determined effort to keep pace with the most up-to-date and proficient methods available.

The end of the 1980s and the beginning of a new decade is therefore likely to see a much more confident Arab banking community expanding its operations in the region and playing a greater role in handling the area's estimated \$350 billion in overseas investments.

— Anthony Richard

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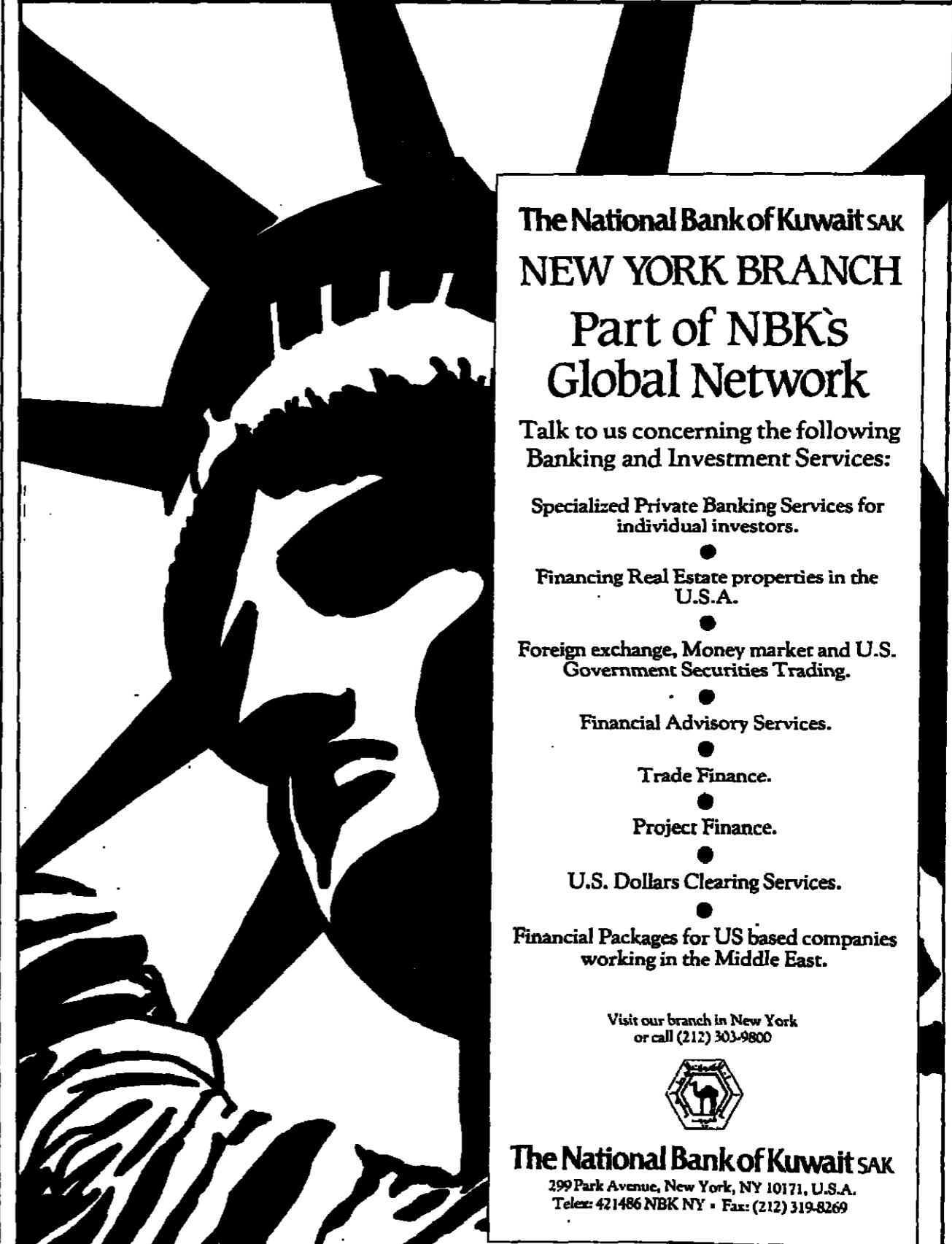
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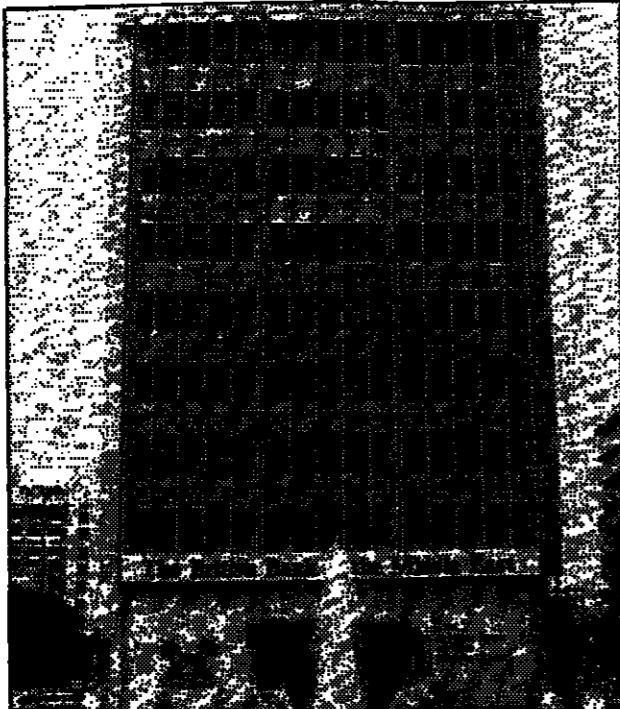
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# Banks Report Profit Rise Amid Cautious Optimism

Even before the announcement of a cease-fire in the Iran-Iraq war, the Arab banking community was shedding its pessimism and looking forward to a more settled year to come. The need to make huge loan-loss provisions for both regional and Third World debt seemed to be abating, with the prospect of higher earnings by the end of December. Government moves to clear up the debris left from the collapse of the Kuwait Stock Exchange in 1982 and to resolve legal disputes in Saudi Arabia over the payment of interest were paving the way toward a renewal of bank lending. Last but not least, banks were encouraged by the new opportunities provided by the issue of state debt in several Gulf countries, where the recession of the past few years has created a huge amount of liquidity but very few good credit risks.

The effects of the cease-fire in August, most local bankers feel, will take time, and an end to the recession cannot be expected within the next few months. Nevertheless, they are heartened by the prospect of important reconstruction contracts in Iraq and Iran, a renewal of trading opportunities with the two populous countries and the possibility of a rise in oil prices during the next year provided OPEC can enforce discipline on quotas.

In Kuwait, volume on the stock exchange surged 150 percent immediately after the announcement of the halt in hostilities and both bankers and businessmen were in a buoyant mood. Dr. Paul Chiquet, senior economist at the National Bank of Kuwait, says opportunities will be particularly brisk in transit



The British Bank of the Middle East, Deira, Dubai

trade, while the rise in construction projects will provide Kuwaiti banks with a much-needed opportunity to expand their credit lines.

Cautious optimism was also reported in Saudi Arabia, which will benefit from access to peaceful shipping lanes as well as a possible oil-price hike. In the United Arab Emirates the focus is on wholesale commercial opportunities that are now expected to arise in Iran. Central Bank Governor Abdul Malique al-Hamad already plans to set up a joint financial committee with Tehran by the end of the year. Bahrain, with its causeway to Saudi Arabia, could also benefit from the reexport trade with Iraq and Iran after a year in which its vital offshore banking sector has been badly hit by both the regional recession and the big loan loss provisions made at the end of 1987.

In Saudi Arabia, eight of the top banks which have released their half-yearly results reported sharp rises in

earnings. Riyad Bank, the second largest, showed a 21 percent increase in net profits by the end of June to 68 million Saudi riyals, or \$18 million, up from SR 56 million, or \$15 million, at the end of June 1987. Saudi American Bank (SAMBA), which is 40 percent owned by Citibank, tripled its net profits to SR 121 million (\$32 million), while Arab National Bank, the joint venture between Jordan-based Arab Bank and Saudi interests, reported earnings of SR 116 million (\$31 million), up 44 percent. Bankers attributed the good results to rising interest rates, cuts in operating expenditure and a drop in loan-loss provisions.

Elsewhere, the National Bank of Kuwait reported a 5.1 percent rise in net profits at the end of December despite a difficult year. Total profits were 26.7 million Kuwaiti dinars (\$94 million), almost as much as those of the country's five other banks put together. Return on assets reached

0.88 percent, just ahead of Gulf Bank's 0.84 percent. Bahrain's Arab Banking Corporation (ABC) managed to achieve net profits of \$68 million at the end of last June, up from \$58 million a year ago, despite an increase in loan-loss provisions. Customer deposits for the ABC group as a whole, which include subsidiaries in Europe and the Far East, rose 8 percent during the first six months of 1988 to \$14 billion. The Gulf International Bank achieved an after-tax profit of \$25.4 million for the first six months of 1988, representing an increase of 14.3 percent with assets of \$8.8 billion. Mr. Abdulla H. Saif, chairman of the board of directors, said the results reflect an improvement in earnings through sustained penetration of trade finance markets and a strong performance from treasury operations.

The highest marks, however, have gone to the National Bank of Dubai. With \$103 million in profits last

year and a return on assets figure of 1.79 percent, it showed the best performance of any commercial bank in the Gulf. Unlike many of its competitors, it has enforced an extremely conservative policy on lending and so escaped the need to reschedule loans to clients adversely affected by the recession. The National Bank of Abu Dhabi — the second largest in the Emirates — showed a loss in 1987 of \$38 million after setting aside \$64 million to cover bad debts. The Bank of Oman showed steady improvement, with a 0.70 percent return on assets and profits last year of \$18 million.

After a decade in which the emphasis has been on creating a presence in the international markets, Arab bankers are realizing that the costs, and the risks, of expanding abroad can be very high. The syndicated loan market, which attracted them to London, has declined and many of the biggest institutions which were funded by recycled petrodol-

lars have had their fingers burned lending to Latin America and other Third World countries.

The costs of operating a branch in New York, London or Singapore can be prohibitive, and competition for qualified managerial staff is fierce. Moreover, since last October's fall in world stock markets, their Arab clients, both public and private, have been reluctant to take the risks involved in investing in sophisticated new financial products that carry greater risks. Yet with foreign assets estimated to total some \$350 billion, including both official and private investments, and huge private wealth earned during the days of the oil boom, the Gulf states and other parts of the Arab world have a surplus of funds that Arab banks could be in a prime position to manage.

One of the oldest and most respected Arab institutions, the Amman-based Arab Bank, is putting new emphasis on both private banking and on Treasury

management in an effort to make the best use of its own considerable resources. With assets of \$13.5 billion and customer deposits of \$12.5 billion, but loans of only \$3.5 billion, it is one of the few Arab banks to have emerged unscathed from the Latin American and regional debt problems. With its direct funding from Gulf oil producers, it is expanding its international corporate loan portfolio through its London branch, where a new Treasury team — recruited from such respected names as Bankers Trust, First Chicago, Citibank, Morgan Grenfell and Lloyds — has been built up under Elie El Hadi, formerly managing director at Al Rajhi Company for Islamic Investments.

Sources close to the bank report that the branch, which has 25 percent of the institution's total balance sheet but which had been losing money, is now in the black after only six months. Benefiting from its direct contacts with prime corporations in Europe and its ability to buy assets from other banks and to participate in their loans, it is expected to do even better in the coming year. Chairman Abdulmajed Shoman and his board of directors have built up a solid reputation for security and conservative banking practices that many in the Arab world feel is unparalleled. As one banker close to the group pointed out, "This is a bank which lost its assets in 1948, in 1967, in 1973 and at other times through nationalizations of various kinds. Yet the depositors have always received their money."

Few expect the Arab Bank to drop its highly conservative policies, but with its new presence in international corporate lending, its ability to compete with the best on interest rate spreads and its huge reserves it could provide a new direction for Arab international banking, while at the same time taking advantage of the growing opportunities to develop home markets.

— Pamela Ann Smith

## "The Need for Greater Pan-Arab Cooperation"

*The Arab Bankers Association of North America recently named Mr. Mohammad Abdul-Mohsin Al-Kharafi, chairman of the National Bank of Kuwait, banker of the year. In this interview with Anthony Richard, he talks about changes past and present in the Gulf region.*

THE National Bank of Kuwait, founded in 1952, was the emirate's first bank and public shareholding company. NBK is now Kuwait's largest bank, with a balance sheet totaling more than \$11 billion. Its domestic expansion and subsequent international development has taken place over years of immense structural change in the region.

According to Mr. Mohammad Abdul-Mohsin Al-Kharafi, NBK's chairman since 1979, the most profound changes in business life in Kuwait and the Gulf relate to the emergence of broader and more sophisticated attitudes among business managers, entrepreneurs and government officials.

This qualitative development reflects the vastly expanded number of commercial, service and investment transactions in the area during the past 35 years of oil-fueled growth. But this trend has become most evident during the last 15 years when professional executives throughout the Gulf have risen to the challenge of competing in a global marketplace on the strength of an overall corporate strategy.

A successful banker in the Arab world has to be able to discern the difference between fashionable and trendy innovations which constantly emanate from the world's financial centers and the basic needs of Arab individuals and corporate managers whose business mentality is deeply embedded in the rich and ancient traditions and social customs of our part of the world," Mr. Al-Kharafi says. He considers his main achievement as a banker to have been participating in a team effort at NBK, which has built a banking group that "dominates its home market and is professionally respected around the world."

"I am pleased that the NBK Group has achieved

bulent era in our region since 1974 has rewarded those institutions which have been able to appreciate this fundamental fact and to implement their corporate strategies accordingly."

The main influence on

Mr. Al-Kharafi's own ca-



Mr. Mohammad Abdul-Mohsin Al-Kharafi,

reer has been his father. "He taught me patience, business ethics and common business sense," he says. He considers his main achievement as a banker to have been participating in a team effort at NBK, which has built a banking group that "dominates its home market and is professionally respected around the world."

"I am pleased that the NBK Group has achieved

three key objectives: We have consistently responded to the expanding local and international needs of our home clientele; we have harnessed and mastered financial service ex-

pertise from the world's leading financial markets; and we have forged credible institutional links among banks and financial companies in Kuwait, other Arab countries and the leading industrialized countries," he says.

According to Mr. Al-Kharafi, NBK's consistently profitable performance in the last few years reflects four key factors: first, stability and depth in senior management, "many of whom have been with the bank for several decades." This in turn has led to a consistent strategy whose focus is on basic banking services geared to our home-market retail and corporate clients whom we know well."

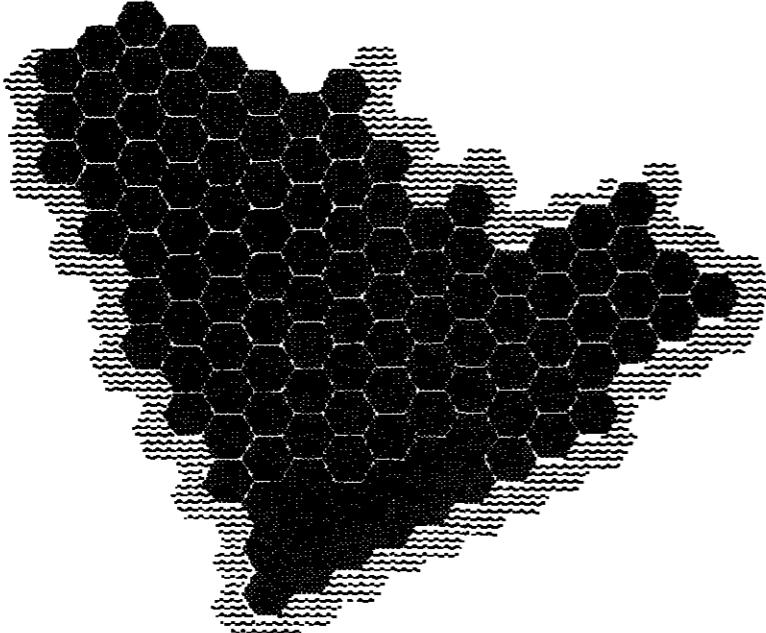
From a strong home base NBK has successfully, though selectively, expanded abroad "with the twin aims of adapting some global financial services and products to the needs of our Gulf clientele, and of providing an international network of branches, subsidiaries and affiliates which has helped us better serve our international corporate clients in Kuwait and the Gulf."

A fourth important factor is that NBK has "shunned unduly risky business, untested markets and unproven financial instruments, preferring instead to concentrate our human and financial resources on what we see as our natural business, which is directly linked to our substantial home market in Kuwait and the Gulf."

Why has NBK expanded outside its home area? Mr. Al-Kharafi explains: "Our dominance of the Kuwaiti market was firmly established by the late

— Anthony Richard

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## ADVERTISING SECTION

## ADVERTISING SECTION

## Investment Market Matures, Broadens Base

**S**INCE 1973 most bankers, intermediaries and commentators have looked at the Arab world and seen only one factor — petroleum revenues. Such a simplistic point of view would base the potential investment value of the Arab world on just two criteria: world demand for OPEC oil, and the price per barrel.

Yet running successful investments into or out of the Arab world in the late 1980s has little or nothing to do with day-to-day supply and demand equations in world oil markets.

Experts cite their balance sheets and the continuing capital outflows from the Gulf as evidence of the fact. Their views are well-founded on market lessons which have largely been ignored or misunderstood by the many European and American institutions currently slashing their Middle East departments.

Market experts such as Faisal Kuds and Abdul Rahman Al-Sa'i, both partners in London's specialized investment house Capital Trust (Mr. Al-Sa'i is also a former director general of the Arab Investment Company), dismiss the argument that capital inflows to the Gulf bear any necessary and direct relationship to the demand for servicing capital outflows efficiently. There are now sufficient Gulf capital resources to create a demand independent of oil-related revenues.

Their view appears to be shared by institutions such as Kuwait's National Investments Company (KFTCIC), or Saudi Arabia's investment houses such as SIDF or pan-Gulf bodies such as Investcorp. A real, sustained and considered expansion in Gulf investment is just beginning.

controversial stake in British Petroleum.

The restructuring of Kuwait Foreign Trading, Investment and Contracting Company's plans provide one example. As Chairman Abdullah Al-Gabandi says:

"The company's strategy is aimed at ensuring balance sheet quality and the Company has taken various decisions, implemented at the end of 1985 and during 1986. During 1987, the Company further assessed this strategy, leading it to rationalize its operations



Mr. Ghazi Alnafisi, chairman, National Investments Co., Kuwait.

and direct its emphasis to merchant banking activities in Kuwait and the industrialized nations of the world.

Unlike those of most Western institutions, these managers recognized that while sheer volume of investment initially came from governments, that volume was largely oriented to conservative instruments. Occasional entrepreneurial exceptions include the Kuwait Investment Office, which has taken substantial equity positions in prime Western enterprises, not least its

growth, both internally and externally, but on a much more stable footing than in the days of easy optimism a decade ago.

The restructuring of Kuwait Foreign Trading, Investment and Contracting Company's plans provide one example. As Chairman Abdullah Al-Gabandi says:

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in 1987, compared to \$1.311 billion for 1986.

For the Arab institutions, whether domestically or internationally based, the options are clear. After all, if on the one hand you have an effective monopoly on supply side information in specialized market segments, and have developed demand side expertise as well and are then faced with market vacuums, there are significant possibilities.

On the other hand, if you depend on capital-saturated domestic markets or other players' assessments of risks in Third World markets, you probably deserve what you get.

Investment ideas are coming from many quarters. Arab Insurance Group (ARIG) has analyzed the opportunities, but also sounds a clear warning. As General Manager Nooruddin A. Nooruddin says:

"Arab countries will continue their industrial development, especially now that prospects for peace in various parts of the Arab world are better than at any time in the past decade. New ventures using state-of-the-art technology are expected to emerge, many of which will be oil-based projects in petrochemicals, gas liquefaction, chemical fertilizers and oil refineries; there are infrastructural requirements such as water desalination, electricity generation, utilities and services."

The Arab Petroleum Investments Corporation (APICORP), one of the most successful of the pan-Arab investment companies, with both a clear focus and a wide mandate to fulfill its mission, would be likely to agree with ARIG's analysis.

Dirar Alghanim, chair-

man of the Kuwait Financial Centre (KFC) and a highly regarded commentator on Arab and international financial affairs, is today one of the Kuwaiti "bulls."

Over the past decade, his deals and investments have provided a barometer of Gulf financial markets. Like Seraj al-Baker, late of Arab Banking Corporation and the Kuwait International Investment Company and now international manager of Kuwait's Alahli Bank, Mr. Alghanim was one of the first to detect



Mr. Nooruddin A. Nooruddin, general manager of ARIG.

and warn against the over-heating of the Kuwaiti private sector, which resulted in the disastrous crash of the unofficial stock ex-

change, the Suq al Manakh, in 1982.

National Investments Company Chairman Ghazi Alnafisi, although speaking of Kuwait, reflects the mood of professionals throughout the region, and also Gulf bankers and institutions operating abroad, when he notes: "A mood of cautious optimism clearly prevails. The cease-fire combined with the increasing probability of oil price stability will certainly create opportunities. With opportunities, however, comes risk. Investors who

have learned their lessons from the past will do well.

Investors who have not will do poorly. Those who understand and monitor their risks closely should do well. Those who do not will suffer. Those who spread their risks in an intelligent manner will do well. Those who do not will repeat the mistakes of the past. We in the investment community must clearly broaden our market base during this time of opportunity if we wish to be market leaders at the end of the century."

— Christopher Ogg

## Islamic Banking Expands

**S**EVENTEEN years after Egypt's Nasser Social Bank first pioneered the modern revival of Islamic banking, the sector has come of age in the Arab countries and in other parts of the Moslem world. After the first flush of success in the late 1970s and early 1980s, when the Dar al-Mal al-Islami (DMI) and Al-Baraka groups attracted hundreds of millions of dollars of deposits from the faithful in the wake of the huge oil price rises, a new realism is apparent.

Profits, while quite respectable, are not as staggering as they once were. Islamic banking, like its more conventional rivals, has been affected both by the regional recession and by the loss of confidence and extreme volatility which is dominating the world's capital and money markets.

Competition is growing, and Arab governments, particularly in Egypt, are taking a more active role in supervising their Islamic finance houses.

Despite this, the attraction they have to hundreds of thousands of Moslems remains undiminished. Many are expanding their investment funds and public share offerings. Now several big Western institutions, such as Citibank, Credit Suisse First Boston and Britain's Kleinwort Benson, are also setting up financial instruments based on Islamic principles, partly in recognition of the huge demand that exists for them in a part of the world which still has enormous private wealth and untapped savings.

## Market share has increased

While profits and average returns on assets have fallen from the highs recorded earlier in the decade, the attractions of Islamic banking in the Arab states are evident in the growth of their market share. Jordan Islamic Bank for Finance and Development has increased its deposits by an average of 52 percent a year since 1980.

In Kuwait, the Kuwait Finance House reported a

10 percent growth in deposits last year; in 1986, it held just over 18 percent of the total deposits in the country, a threefold rise on the figure six years earlier. Bahrain's two Islamic institutions, Bahrain Islamic Bank and Al-Baraka Islamic Investment Corporation (ARBIC), Saudi Arabia's largest money changing company. A share offer in June for 43 percent of its equity was almost eight times oversubscribed, and the transition to a public concern will make it the kingdom's largest bank in terms of branches and third largest in terms of assets. Moreover, with a capital base of \$750 million (\$200 million), it is larger than the four largest banks in Saudi Arabia combined.

New fund established

Al-Rajhi's success in attracting private funds, from both big and small investors, may explain why several Western institutions are also taking a new look at Islamic banking.

— Pamela Ann Smith

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# Egyptian Banks Stimulated by New Regulations

**B**ANKERS in Egypt are breathing a sigh of relief. Unlike their colleagues in the Gulf, however, this has less to do with the ending of the Gulf war than with the regulation of the Islamic investment houses, their domestic rivals. But while the government's moves in this direction this summer may help ease the country's foreign exchange shortage and enable Egypt's companies to resume payments on some of their foreign debts, managers at world giants like Citicorp and Chase Manhattan are reported to be still cautious.

In the past year, several of the 60-odd foreign banks established in Egypt, either on their own or in joint ventures, have announced plans to reduce their presence in Cairo. Many will wait to see how the larger economy is affected before giving in to guarded optimism.

The new law, passed in June, was finally clarified in August. Economy Minister Houssni Mustapha announced that the unregulated firms would have the choice of going public and submitting to state supervision or of closing down within the next two years. Most, such as the big Al-Rayyan, Al-Saad and Badr investment houses, have elected to stay open and to comply with the new regulations. These include the public declaration of their balance sheets, a limit on deposits — to ten times their capital — and measures to ensure that their funds, whether foreign currency or Egyptian pounds, are channeled through the official banking system, as well as special provisions to provide more security for investors.

For Egypt's four big state-owned commercial

banks — the National Bank of Egypt (NBE) and Banque Misr in particular — the clampdown should help remove the drain in foreign currency that has hindered banking activity in the country. Hassan Eissa, assistant manager of NBE, notes that the Islamic houses, which give depositors a share in profits rather than fixed interest payments, had been absorbing most of the vital hard currency remittances sent back to the country by the 2 million Egyptians working in Saudi Arabia and the Gulf states.

The new limits on the amount of deposits they can take, he explains, include a ceiling of 50 million Egyptian pounds on their capital. "This will limit the amount of money they can collect in both hard currency and Egyptian pounds to [the equivalent of] 500 million Egyptian pounds per institution." As a result, he points out, "more hard currency will flow into the banking system."

"The measures," he adds, "will help to relieve some of the pressure on hard currency resources, especially as those companies will be limited to what they can get from the market." Other bankers feel that many Islamic companies will now be forced to invest more funds locally. The Al-Sharif Group, one of the most respected of these institutions, has already maintained an impressive record of industrial investment in Egypt, and its bigger competitors, they say, may now have to follow suit, even if this produces smaller returns for their investors than, say, trading in gold bullion on world markets.

Local bankers have already been encouraged by

the currency reforms enacted in May last year, when, in response to pressure from the IMF, the government enacted a basic two-tier system of exchange rates as part of a plan to completely eliminate the thriving black market. NBE estimates that 90 percent of remittances from abroad are now going through the banking system, as opposed to only 30 to 40 percent before the reform. Official estimates are that some \$10 million a day is now channeled through the banks, as opposed to only \$200,000 a day previously, including both remittances and hard currency earnings from tourism.

The banks are also facing severe controls on credits and lending and, increasingly, are worried about possible defaults by their private and corporate customers. As part of the package agreed upon with the International Monetary Fund 18 months ago, the government agreed to limit inflation, now running at some 30 percent a year, by imposing a ceiling on bank loans. This, the government felt, was preferable to raising limits on interest rates, currently about 13 percent, which might hamper foreign investment in the country. Since then, banks have been told to hold their increases in fresh credits to only 2.5 percent, although in some cases this has been raised to 5 percent. As a result, business expansion has slowed, imports are down and trade finance, an important activity for the banks, has been particularly affected.

The introduction of the two-tier exchange rate system has also meant, in effect, a severe devaluation of the Egyptian pound. This has created problems for

private customers who have borrowed abroad or who must repatriate profits to foreign partners in hard currency. While the banks have benefited from the influx of foreign exchange, there are now fears that the combined pool may be insufficient to deal with these needs, especially when tight controls on credit are in effect. The government has promised to look at the problem of private sector foreign debt, estimated to total some \$3 billion, but so far only very informal rescheduling operations have been put in place.

**Foreign banks look for new role**

The changes in the exchange rates have also added to the problems faced by foreign banks, which were already suffering from the shortage of hard currency and the growth of private sector foreign debt.

Since the reforms in May 1987, Chase Manhattan has decided to close its representative office, while Citibank has reduced its staff in Egypt to less than one-third. Two British banks, Midland and Lloyds, have cut back staff as well and the Royal Bank of Canada has pulled out altogether.

In contrast, most of the country's 11 joint venture banks, which are allowed to deal in Egyptian pounds, have remained reasonably optimistic. The Egyptian American Bank, a joint venture of American Express and the Bank of Alexandria, reported a 115 percent rise in profits last year, to 21.7 million Egyptian pounds, while total assets rose 37 percent to just over 1.3 billion Egyptian pounds.

The end of the Gulf war is also adding to the optimism, despite continuing fears about inflation and the growing public debt,

— Pamela Ann Smith



The Qatar National Bank, Doha, Qatar.

was one of the first banks to introduce automated teller machines (ATMs) to the market. It has just scored another first, providing its UAE customers with a telephone banking service. At the same time, Qatar's four main banks are gearing up to introduce more technology.

Qatar National Bank is blazing the trail with a fully computerized retail and wholesale software system supplied by the British group, Kapiti, operating out of its regional office in Dubai. The company already has a proven track record in Bahrain and the United Arab Emirates, and the QNB contract is worth around \$1 million.

Doha Bank, which recently moved into its new headquarters, will be the first with an extensive ATM network in Qatar, to be operated with the bank's own cash card. A Sharjah-based computer software company, Intersoft, is providing the Commercial Bank of Qatar with a computerized retail operation, to be followed later by automated remittance operations. Al-Ahli Bank of Qatar will be updating its system, too.

Many banks have taken the opportunity of a downturn in certain activities to modernize or install new dealing rooms to handle the growth in Treasury operations.

BBME this year opened its high-tech regional treasury center in Dubai. The National Bank of Abu Dhabi has opened one of the largest dealing rooms of any bank in the area. Mr. John S. W. Coombs, NBAD's chief executive, says there has been an increase in confidence in the market and there are more opportunities for business. The bank believes that there is a growing need for specialist Treasury operations of the kind NBAD can now offer.

— Lee Voysey

## High-Tech Project Sought by Kuwait

**A**S Bahrain and Oman prepare to open their new stock exchanges, Kuwait is ready to spend \$11 million on implementing an automated trading system at its stock exchange. The closing date for receiving tenders has been extended so that European and American companies can prepare proposals for installing a system capable of handling 10,000 transactions a day — far higher than the present number, which are hand-chalked on boards by clerks.

Greater activity on Gulf stock exchanges is more likely in the future, following a recent agreement by the Gulf Cooperation Council allowing any GCC citizen to trade on the Kuwait exchange. It has also boosted moves for the much-talked-about Pan-Gulf stock exchange.

When the new Saudi

Stock Exchange opened last year, lack of activity in the private sector forced a temporary halt to business.

However, subsequent public flotations caused a surge in interest among private investors, who are being urged to play a greater role in the development of the economy.

With the introduction of greater technology, particularly systems like the British Bank of the Middle East's Hexagon global electronic financial service, every investor can become his own banker. That is the view of Rick White, BBME's marketing manager.

Hexagon is basically a private networking system linking customers to the full facilities of BBME's parent, the Hongkong Bank Group. BBME has been at the forefront of much of the technology in the Arabian peninsula and

other Arab countries. The company is now looking to expand its operations in the region. While the commentator is not sure if this will be successful, it is clear that the market is changing and that the region is becoming more competitive.

Nation Marks

**T**HIS year marks the 25th anniversary of the oldest incorporated bank in the Middle East.

The story of its successful growth is assets for the bank in December 1987 by a little under \$1 billion (US\$1.25 billion) more than 10 years reflects the overall growth of the bank in the 1980s, an outstanding achievement in a difficult year.

Until 1967, when the emirate had been founded by the Bank of the Middle East (BBME), which had its foundations in banking in the re-

A group of local merchants, headed by Sultan Owa, chairman since its formation in 1962, urged the ruler to

# البنك العربي الدولي

## ARAB INTERNATIONAL BANK

### BALANCE SHEET

June 30, 1988 and 1987  
(Expressed in thousands of US dollars)

ASSETS	1988	1987
Cash and due from banks	36,036	39,003
Time Deposits	1,023,669	955,934
Negotiable certificates of deposit	208,000	150,000
Investments		
Marketable notes and bonds	44,438	45,612
Equity participations	106,078	108,952
Loans and advances, less provision	599,952	668,872
Accounts receivable and accrued interest	21,972	24,334
Property and equipment	49,757	33,914
	2,089,902	2,026,621
Customers' liabilities under credits, guarantees and acceptances	388,476	393,600
LIABILITIES AND SHAREHOLDERS' EQUITY	1988	1987
Demand deposits	175,327	172,988
Time deposits	1,613,285	1,542,430
Accounts payable and accrued interest	64,918	60,427
Proposed dividends	3,750	6,000
Total liabilities	1,857,280	1,781,845
Shareholders' equity:		
Share capital	150,000	150,000
Statutory reserve	34,488	33,532
General reserve	46,512	60,968
Retained earnings	1,622	276
Total shareholders' equity	232,622	244,776
Liabilities under credits, guarantees and acceptances	388,476	393,600

Mr. ABDULLATIF A. EL KIB  
Managing Director

Dr. MOSTAFA KHALIL  
Chairman

Head Office:  
35, Abdel Khalek Sarwat Street,  
Cairo, Arab Republic of Egypt  
Telex: 92079 AIB 92088 AIBEX UN  
Telephone: 3916492, 3916391  
Cable Address: ARABINBANK Cairo

Bahrain Branch:  
Diplomat Tower,  
Diplomatic Area Road No: 1705, Block 317,  
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The Commercial International Bank...  
Committed to service...  
Committed to quality...  
Committed to Egypt.

	1986	1987
Loans	424	459
Total Assets	1,102	1,383
Total Deposits	774	1,005
Networth	95	114
Net Interest Income of the year	45	53
Pre-tax profits for the year	33	46

Figures rounded to Egyptian Pounds Millions

The Commercial International Bank, Egypt S.A.E.  
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P.O. Box 2430 Cairo  
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# Fresh Opportunities Focus Attention on Need for New Financial Instruments

A NUMBER of bankers and financiers see the end of the Iraq-Iran war (or at least the cease-fire) as an opportunity to create new products. One firm of London stockbrokers has been quick off the mark with a variant on "deferred lifting," which could create an alternative source of hard currency for debt-pressed Iraq. This of course assumes increased stability in the region. While most commentators accept this view, they also see no early increase in oil prices, and therefore no early or significant changes in the Arab world economies — other than Iraq's.

Others look to Saudi Arabia, the region's "swing economy," which for the first time in over two decades is considering the question of raising "commercial" money to fund a projected current account deficit of some \$10 billion (a deficit which should be

seen in the context of substantial, not to say massive, capital account surpluses). The kingdom, operating on the principles of Islamic or *Sharia* law, is faced with the challenge of creating financial instruments which are competitive with other international rates but avoid the problem of being related to "usury," unacceptable under *Sharia* law.

The longer-term problem is a thin secondary market. By contrast, the Gulf domestic corporate sector is potentially grossly overfunded: too much money is chasing too few opportunities. Neither the Kuwaitis, who have twice experienced these conditions, nor the Omanis or Bahrainis, both of whom are currently exploring the establishment of national stock markets, wish to undertake the risks of overestimating local markets. Yet this remains a powerful market in which

to invest, and a number of specialists, such as Kuwait's NIC, the Gulf Investment Corporation and KFTCIC, have led the way in identifying opportunities and acting as "trail-blazing" investors.

The KD Bond (or Camel Bond) market has been revitalized, and many institutions originally created as "pan-Gulf" have returned to their Kuwaiti roots. Market activists such as Kuwait Financial Centre's Dinar Alghanim welcome such developments and see them as an opportunity to develop and offer new products to the market.

A third sector of development lies in the much-publicized "offset" deals. Saudi Arabia has been a leader in linking its major import purchases with a reciprocal requirement that the vendor invest in the domestic economy.

Informed observers point to the Saudi desire for a powerful market in which

access for refined petroleum products and for a real "meeting of the minds" to secure a better balance of "real terms of trade".

The same observers view the financial institutions as having a potentially significant role to play.

There can be no doubt that the most significant changes in recent years are to be seen in the personal sector.

For years, this sector was serviced offshore primarily by Western institutions. And despite the downturns in government and corporate sectors, it remains an active exporter of capital.

As Capital Trust's Faisal Kudsie observes: "The Arab banks serviced their deposit base." It is difficult for a bank to recommend that a client move out of a product making a high return for the bank (albeit a lower one to the client), to a product making a higher return for the client, but

perhaps a lower one for the bank.

The Gulf banking market used to lack products. As Kudsie points out, product development costs can be astronomical: people, technology and servicing cost are huge. To meet this problem, Capital Trust developed a resuscitation of the consortium bank concept. If banks pooled resources and supported the idea of the proverbial "better mousetrap," couldn't they beat Western competitors at their own game?

A number of leading Arab institutions (Alahli Bank of Kuwait, Qatar National Bank and Union de Banques Arabes et Françaises) accepted and supported the idea and created together what is probably the Arab world's first international retail financial product — the Diversified Bond Fund.

But they are not satisfied yet. Capital Trust suggests that it would be ideal to

have as many as 20 institutions or more collaborating on a single product. It might be right. After all, how many banks issue variants of Visa or Mastercharge cards?

If dozens of Arab banks are already acting as agents for another institution's products, such as credit cards, couldn't the same resources be used to create and market a new product designed specifically for the Arab market?

The Arab domestic financial market is overbanked, and where competition used to be primarily in quality of service, the trend now is to greater competition in products.

While many Western institutions have deserted the Arab market, at each level — government, corporate and personal finance — challenges remain. Product development has a key role to play at each level.

The lead institutions in

the Gulf, such as GIC, KFTCIC, Investcorp and NIC and a number of Gulf experts who have reversed the process by setting up shop in the West, such as Capital Trust's Abdul Rahman Al-Sa'i points out, the consortium bank may have become unfashionable in the West, but in the Arab world, partnership has become an effective tool to meet the costs of developing and marketing new products.

It is ironic that most of the banking products with which Western bankers are most familiar — the letter of credit, the check, portfolio management — were actually developed by Arabs centuries ago. Today in Saudi Arabia, Kuwait, the Emirates and elsewhere, bankers aren't trying to reinvent the wheel, they're just trying to make it fit better.

— Christopher Ogg  
(Christopher Ogg is a director of London-based economic consultants Maxwell Stamp Associates.)

## National Bank of Dubai Marks Silver Anniversary

THIS summer the National Bank of Dubai celebrated its 25th anniversary and, as befits the oldest locally incorporated banking institution, it also paid its shareholders a 40 percent dividend.

The story of NBD and its successful growth (total assets for the year ending December 1987 increased by a little under Dh.1 billion (US\$272.5 million) to more than Dh.21 billion) reflects the overall development of the Emirate of Dubai. Last year's performance was the best of any Arab bank in the Gulf — an outstanding achievement in a difficult year.

Until 1962 banking in the emirate had been monopolized by the British Bank of the Middle East (BBME), which laid the foundations for modern banking in the region.

A group of local Dubai merchants, headed by the father of Sultan Ali Al-Owais, chairman of NBD since its formation in 1963, urged the ruler of Dubai,

Sheikh Rashid bin Saeed Al Maktoum, to create a "local" bank. The ruler wisely agreed and granted a charter for the new bank. Some 52 percent of the original shareholding of Dh.13.6 million was held locally. The rest was divided between the National Bank of Kuwait and two other foreign banks. Six years ago non-Dubai interests were bought out and the bank is now virtually 100 percent locally owned. Shareholders' funds today stand at more than Dh.2 billion and deposits are Dh.17.6 billion compared to Dh.25 million when the bank concluded its first year's operations in 1964.

It is now one of the largest and most successfully managed banks in the United Arab Emirates. And Sultan Ali Al-Owais, whose father died tragically just before that bank opened, attributes the bank's growth and success to its conservatism. "But that does not mean we are old fashioned," says Mr. Al-Owais, adding that the



Mr. Abdulla Mohamed Saleh, managing director of the National Bank of Dubai.

bank abides by good banking practices and always follows the rules. "I like to sleep well at night," he adds.

The bank's managing director, Abdulla Mohamed Saleh, sees no reason why the bank should change its conservative attitude, pointing out that profitability had increased, assets had risen, and "we have just paid out a 40 percent dividend."

NBD has grown steadily and surely. It opened on May 9, 1963 with its head office on the Deira side of the creek with a subbranch opposite. It was not until five years later that it laid the foundations for an expanding network of local branches. The first was in Abu Dhabi, and was followed a year later with another in Umm al-Qaiwain, where it has just opened a new building for the branch. In 1971, the year in which Dubai became part of the newly founded United Arab Emirates, a branch was opened at the international airport. By the 1980s

the bank has been involved with almost all the major infrastructural developments in the emirate, and its growth in assets reflects the development of its oil revenues, with which it is closely associated.

And the future? The bank likes to keep its plans to itself, but Saleh will allow himself to mention one growing trend. "We see our role in trade financing increasing," he says.

— Lee Vosey

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## Complete Service Is Hallmark of Hotels

LIKE the general development of the Gulf countries themselves, hotel availability has changed beyond recognition. Equally important has been the growth in communication services, which are prompt, efficient and reliable. Everything from fax and telex to data links are available.

Many hotels have been concentrating on upgrading services for business travelers. A typical example is the SAS Hotel in Kuwait, situated out of the center of town, which has established a special businessman's lounge near the joint banking center. Called

the City Lounge, it offers comprehensive business facilities from word processing to courier and limousine services. Hotel guests, who get a complimentary shuttle-car service between the hotel and the City Lounge, can also rent an "office-for-a-day" in the lounge.

As part of the growing trend in luxury and business-class hotels, SAS has another nine branches had sprung up in various key locations around the emirate, bringing the total to 15. Two years ago, following many requests from its customers, NBD opened its first international branch in London's Sloane Street.

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And the future? The bank likes to keep its plans to itself, but Saleh will allow himself to mention one growing trend. "We see our role in trade financing increasing," he says.

— Lee Vosey

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WEDNESDAY, SEPTEMBER 28, 1988

MADISON AVENUE

## FKB Group of Britain To Add 2 U.S. Companies

By PHILIP H. DOUGHERTY

New York Times Service

**N**EW YORK — Britain's FKB Group, a holding company for sales promotion and marketing services, is adding two more companies to the four it acquired in the United States in March. The latest two are American Consulting Corp., founded six years ago by Peter Eagle, a well-known marketing man who built it by acquisition, and DAD (Financial), an 11-year-old Nashville, Tennessee-based company that specializes in direct mail and direct marketing for the financial community.

FKB also has an agreement with a British company, Burrows, Bow & Moore in Bristol.

Earlier this year in the United States, FKB acquired Focus Marketing, QLM Associates, the Sangatuck Group and the Hermann Group, all outside New York.

According to a company announcement from London, FKB Group will spend about \$29.6 million in cash and notes for a down payment for the companies, with additional payments based on performance. The total would not exceed \$86.7 million.

FKB said it intended to become "the leading strategically oriented sales promotion agency group in the United States."

It also reported that American Consulting last year had pretax profit of \$3.3 million, on revenue of \$24 million. During the same period, DAD had revenue of \$7 million and pretax profit of \$1.9 million.

**AMM&P** Ammunt & Puris has bested a field of 12 agencies to win the Aetna Life & Casualty Co.'s account, with annual billings estimated at about \$15 million.

The previous agency, Jordan, McGrath, Case & Taylor, served the client for 11 years, most recently with theme lines like "Aetna, I'm glad I met you" and "Work with the best in the business."

When Thomas J. Fay, newly arrived from TRW Inc. to be vice president, director communications at Aetna, began thinking "it was time for a change," he called for a review of his advertising. He invited the Jordan shop to compete against other agencies for the business. It declined.

**HE OTHER TWO** finalists were Levine, Huntley, Schmidt & Beaver, a subsidiary of Grey Advertising, and Gear & DuBois. The shops were invited to two meetings, the first a briefing and the other to make their presentations to the client at its headquarters in Hartford. They were not asked for speculative advertising but rather for concepts and positioning.

Ammunt & Puris, a subsidiary of Britain's Boss Massimi Polite, presented its work in positioning for accounts like BMW, UPS, RCA and Waterford Crystal, according to Edward H. Wax, its president.

**Y&R** John Ferrell, until recently the head creative man in the New York office of Young & Rubicam, is leaving the agency because, as a staff memo from Arthur R. Klein, president, New York, said, he "has decided that he does not want to accept the new assignments we had offered him."

For the last year Mr. Ferrell, 45, has been one of three executive vice presidents-creative directors in New York. His group, Group One, has been assigned to Eric Weber, 46, who is returning to the agency after a decade's absence. He has been one of three top creative staffers at Saatchi & Saatchi DFS Compton.

Y&R decided to say what kind of a position it had offered Mr. Ferrell, and he would only say that, despite the high regard in which he holds his employer, none of the several creative positions offered appealed to him.

## Currency Rates

Cross Rates									
	Sept. 27	Sept. 28	Sept. 29	Sept. 30	Sept. 31	Oct. 1	Oct. 2	Oct. 3	Oct. 4
American	1.22	1.223	1.223	1.223	1.223	1.223	1.223	1.223	1.223
British	1.215	1.215	1.215	1.215	1.215	1.215	1.215	1.215	1.215
French	1.813	1.811	1.811	1.811	1.811	1.811	1.811	1.811	1.811
German	1.576	1.576	1.576	1.576	1.576	1.576	1.576	1.576	1.576
Italian	1.621	1.621	1.621	1.621	1.621	1.621	1.621	1.621	1.621
New York (C)	1.226	1.226	1.226	1.226	1.226	1.226	1.226	1.226	1.226
Paris	1.492	1.492	1.492	1.492	1.492	1.492	1.492	1.492	1.492
Tokyo	13.48	13.48	13.48	13.48	13.48	13.48	13.48	13.48	13.48
Zürich	1.815	1.817	1.817	1.817	1.817	1.817	1.817	1.817	1.817
ECU	1.184	1.185	1.185	1.185	1.185	1.185	1.185	1.185	1.185
SDR	1.288	1.288	1.288	1.288	1.288	1.288	1.288	1.288	1.288

*Currencies in London, Tokyo and Zürich. Exchange in other centers. New York closing rates. a: Commercial franc; b: To buy one franc; c: To buy one dollar; d: Units of 100; e: not available; f: N.A.; not available.*

## Other Dollar Values

Per \$	Per 1	Per \$	Per 1	Per \$	Per 1	Per \$	Per 1	Per \$	Per 1
Germany	4.422	220.00	2.462	11.40	2.462	11.40	2.462	11.40	2.462
Austria, central	1.250	5.70	1.250	5.70	1.250	5.70	1.250	5.70	1.250
Austria, All.	1.273	6.00	1.273	6.00	1.273	6.00	1.273	6.00	1.273
Belg. Fr.	1.245	5.70	1.245	5.70	1.245	5.70	1.245	5.70	1.245
Swiss fr.	1.227	5.50	1.227	5.50	1.227	5.50	1.227	5.50	1.227
Swiss cent.	1.227	5.50	1.227	5.50	1.227	5.50	1.227	5.50	1.227
Commission	1.228	5.50	1.228	5.50	1.228	5.50	1.228	5.50	1.228
Swiss francs	1.228	5.50	1.228	5.50	1.228	5.50	1.228	5.50	1.228
Swiss francs	1.228	5.50	1.228	5.50	1.228	5.50	1.228	5.50	1.228
Swiss francs	1.228	5.50	1.228	5.50	1.228	5.50	1.228	5.50	1.228

*Source: Interbank Bank (Brussels); Banca Commerciale Italiana (Milan); Banca Nazionale del Portofino (Portofino); Bank of Tokyo (Tokyo); IMF (SDR); BAA (short, risk, duration); Comptoir Général. Other data from Reuters and AP.*

## Interest Rates

Cross-currency Deposits									
	Sept. 27	Sept. 28	Sept. 29	Sept. 30	Sept. 31	Oct. 1	Oct. 2	Oct. 3	Oct. 4
Dollar	1.22	1.223	1.223	1.223	1.223	1.223	1.223	1.223	1.223
D-Mark	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95	3.95
French	1.813	1.811	1.811	1.811	1.811	1.811	1.811	1.811	1.811
German	1.576	1.576	1.576	1.576	1.576	1.576	1.576	1.576	1.576
Italian	1.621	1.621	1.621	1.621	1.621	1.621	1.621	1.621	1.621
Swiss	1.226	1.226	1.226	1.226	1.226	1.226	1.226	1.226	1.226
SDR	1.288	1.288	1.288	1.288	1.288	1.288	1.288	1.288	1.288

*Source: Morgan Guaranty (Dollar, DM, SF, French, FF, Yen); Lloyds Bank (ECU); Reuters (SDR). A deposit certificate to interbank deposit of \$1 million minimum for equivalent.*

Other Dollar Deposits									
	Sept. 27	Sept. 28	Sept. 29	Sept. 30	Sept. 31	Oct. 1	Oct. 2	Oct. 3	Oct. 4
1 month	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6	0.6
2 months	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2	1.2
3 months	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8	1.8
6 months	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4
1 year	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8	2.8

*Source: Reuters (Dollar, DM, SF, French, FF, Yen); Lloyds Bank (ECU); Reuters (SDR). A deposit certificate to interbank deposit of \$1 million minimum for equivalent.*

U.S. Money Markets									
	Sept. 27	Sept. 28	Sept. 29	Sept. 30	Sept. 31	Oct. 1	Oct. 2	Oct. 3	Oct. 4
United States	1.22	1.223	1.223	1.223</td					



## BUSINESS ROUNDUP

## Elders Net Rises on Property Sales

**ADELAIDE**, Australia — Elders IXL Ltd. reported Tuesday that profits from property and investment sales and a big jump in brewing earnings had led to a 72.4 percent rise in net earnings for the year.

Elders, which revealed for the first time that it held a small stake in the U.S. brewer Anheuser-Busch Cos., said equity-accounted net for the year ended June 30 was \$64.88 million Australian dollars (\$35.5 million), compared with \$37.17 million dollars the previous year.

Operating profit from its brewing, agriculture, finance and resources businesses rose 70 percent to \$48.62 million Australian dollars. Sales rose 45 percent, to 15.35 million dollars from 10.56 billion.

Elders rewarded its shareholders with a one-for-five bonus issue and a slightly higher dividend payout, up 46 percent, despite the increased capital.

The holding in Anheuser-Busch, the maker of Budweiser beer, was published for the first time in the company's profit and loss account. The stake of about 0.24 percent is held by Elders Investment Ltd., which is 75 percent-owned by Elders IXL.

Elders Investments said Tuesday that it had written down \$8.4 million on an investment of 2.5 million shares in Anheuser-Busch. The write-down was a large component in Elders Investments' 9.2 million

Australian dollar loss for the year ended June 30.

Elders IXL's chairman, John Elliott, said Elders still held the Anheuser-Busch stake. He would not comment on the company's intentions and said his company had not spoken to Anheuser-Busch about the stake.

In the past two years Elders has embarked on a global expansion of its brewing business with acquisitions in North America and Britain built on its 50 percent share of the Australian beer market, worth an estimated 4 billion dollars a year.

Elders' net profit was above most analysts' forecasts of \$30 million to \$50 million dollars, although all had said they could not predict the exact contribution of sales.

Justin Arter, an analyst with McCaughey, Dwyer, Capel, Curle Ltd., said the result showed the strength of Elders' core businesses but said few would welcome a further expansion of Elders' large 43 billion share capital base. Mr. Arter had forecast net of about \$31 million dollars.

Craig Drummond, an analyst with J.B. Were & Son, said Elders had surprised the market by making the bonus issue. He had predicted that profit could top \$60 million.

Nonrecurring profits on investments were the key to the overall profit rise. Elders reported a profit

of 117.29 million dollars on the \$1.3 billion (\$2.18 billion) sale of 5,000 British pubs, won with the Courage acquisition, to a joint venture between itself and the Melbourne property company Hudson Conway Ltd.

Total net nonrecurring items showed a gain of 236.26 million dollars, up from 133.75 million in 1986-87. They included the pub sales along with 137 million dollars profit on the sale of Elders Resources Ltd. shares, and a related 30 million dollar net loss on the sale of shares in Broken Hill Pty. into a new joint venture company with a

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## CURRENCY MARKETS

## Pound Rises on British Trade Data

Reuters

NEW YORK — The British pound closed Tuesday with strong gains, reflecting the market's relief after publication of better-than-expected British trade data.

The dollar finished weaker.

News that Britain's current account deficit for August had narrowed to £1.31 billion from July's record £1.5 billion deficit sparked a short-covering rally in the pound.

The pound closed in New York at \$1.6785, up from \$1.6733 at Monday's close, and at \$1.520 Deutsche marks, up from \$1.470.

The dollar eased to 1.8788 DM, from 1.8805 DM, to 1.9000 Swiss francs from 1.5905; and to 6.3945 French francs from 6.3990.

But the dollar edged up to 134.675 yen from 134.475.

The pound's performance was the highlight of the session, dealers said. They agreed that the narrowing of the deficit, while not spectacular, alleviated fears that Britain's trade position was worsening.

"Logically, if we hadn't had last month's incredible number, these figures would have looked horrible," a dealer with an American bank in London said.

"The rally in sterling isn't spectacular and certainly isn't going to run away," a senior dealer in New York said. "Besides, it was due for

London Dollar Rates	
Close	Mon.
Dollar mark	1.6785
Pound sterling	1.6733
Japanese yen	134.45
Swiss franc	1.5905
French franc	6.3975
Source: Reuters	6.3980

a technical correction, and the numbers helped."

Earlier in London, the pound closed at \$1.6785, compared with the day's trading high of \$1.6815 and Monday's close of \$1.6660. It closed at 1.5148 Deutsche marks, compared with a high of about 1.5100 DM and 1.5193 DM on Monday.

The dollar spent a quiet session, and calmed after intervention Monday by central banks ended a rally.

It closed at 1.8790 DM, down from Monday's close of 1.8828 DM; at 134.45 yen, down from 134.65; at 1.5920 Swiss francs, down from 1.5933; and at 6.3975 French francs down from 6.4080.

Financial markets had been expecting a British current account deficit of £1 billion to £2 billion, with average market forecasts at £1.45 billion.

Currency operators began buy-

ing back short positions to square their books before the data were released, which boosted the pound from the opening, dealers said.

Economists said they were still worried about the underlying trend in Britain's trade position, but all agreed that the figures lessened the pressure on British authorities to raise interest rates again soon to slow demand.

After the data were released, Nigel Lawson, the chancellor of the Exchequer, said in a statement that too much weight should not be placed on one month's figures.

Many dealers interpreted Mr. Lawson's remark to mean that there could be more months of worrying trade data before the summer's series of interest rate rises has time to take effect.

Nevertheless, currency operators remained relatively optimistic about the pound's fortunes.

The Group of Seven leading industrial countries' communiqué from their weekend meeting in West Berlin and various G-7 officials' comments since have shown that they desire currency stability and hope to keep exchange rates at current levels.

Those remarks encourage foreign exchange dealers to invest in high-yielding currencies, one dealer said.

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## POSTCARD

## A Summit for Citizens

By Michael Dobbs

*Washington Post Service*

**T**HILIS, U.S.S.R. — It is unusual for the Americans who tell the joke about freedom of speech at the annual citizens' summits that have become part of the U.S.-Soviet diplomatic road show. But this year, a veteran Soviet journalist gave the old joke a twist.

An American and a Russian, the story goes, are arguing about whose country enjoys the most freedom. "I can stand in front of the White House any time I want and shout 'Down with Reagan,'" boasts the American. "So what?" counters the Russian. "I can stand in front of the Kremlin and shout the same thing."

In fact, that's not quite true, confessed Melor Sturua, a former Washington correspondent for the Soviet government newspaper Izvestia. "I was in the United States during the Watergate scandal — and I wasn't allowed to write a word about all the criticism of President Nixon. We kept quiet because we didn't want to damage U.S.-Soviet relations."

Some curious things have happened at the fourth annual citizens' conference on U.S.-Soviet relations, which was held this year in Tbilisi, the capital of Soviet Georgia. Perhaps it is *glasnost*, the new Soviet policy of openness, perhaps it is the venue — Georgia has always been known for its easygoing ways — but the discussions last week were noticeably more open than the past.

In past years, the so-called Chantqua process, named after a village in upstate New York where it all began in 1983, resembled the joke about freedom of speech. This year, not only were Russians telling jokes about themselves, they even, on occasion, criticized their own government.

A panel on human rights — normally the most unproductive subject — was enlivened by Russians complaining about everything from nationality problems to the housing shortage. Several Georgian human rights activists managed to push their way past Soviet police lines into the packed hall where the meeting was being held and put their questions to the panel under the attentive gaze of Soviet television cameras. One question demanded to know why churches were still being closed down, why

the ancient Georgian script could not be used for sending telegrams, why a sixth-century monastery was being destroyed by the army.

For a few moments, the conference was taken over by Georgians arguing with each other in Georgian. The president of the Georgian Committee for the Protection of Ancient Monuments then explained to the bewildered Americans that the Davit Garetska monastery complex was located on a military firing range. The vibration of exploding shells had severely damaged the monastery.

Not satisfied with assurances

that the Ministry of Defense was

looking into the matter, several hundred Georgian activists demonstrated outside the conference hall.

Mark Palmer, U.S. ambassador to Budapest and one of the organizers of the Chantqua meetings, contrasted this year's scene with the Soviet reluctance even to talk about human rights four years ago.

"If you asked them about free elections, for example, they refused to talk about it. Now they are willing to discuss the subject. They are even planning multicandidate elections themselves," Palmer said.

**T**HIS year, as in previous years, U.S. participants focused on family reunification cases and restrictions on emigration from the Soviet Union. But the Soviet invasion of Afghanistan was scarcely mentioned now that the Soviet military withdrawal is under way.

Whatever the advances made by glasnost, problems inevitably remain. Friendship between Russians and Americans was the motto of the conference — but some members of the U.S. delegation complained that they were discouraged from digging too deep. A close watch has been kept on exactly whom the Americans meet.

Shirley Steinberg, a participant in the 1986 meeting in the Larvian seaside resort of Jermala, found herself the object of the unwelcome attention of the KGB security police this time around. She said her Larvian friends were not allowed into the Leningrad hotel where she was staying. When she made a scene, her traveler's checks disappeared from her room. "The Soviets claim they want to have an open society. They tell us we should mingle and have friends. But as soon as we try to do this, we get into trouble," she said.

In his spacious house on a neighborly street in Chicago, where he lives with his wife, Ida,

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